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United Nations Conference on Trade and Development

TRADE AND DEVELOPMENT BOARD

Ninth Special Session (Third Part)

SUMMARY RECORD OF THE 488th MEETING

Held at the Palais des Nations, Geneva,
on Monday, 6 March 1973, at 4.35 p.m.

President: Mr. de ALWIS (Sri Lanka)
later: Mr. ATHULATHMUDALI (Sri Lanka)

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Corrections to the records of the meetings of the Board at the third part of the ninth special session will be consolidated in a single corrigendum to be issued shortly after the end of that part of the session.

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OPENING OF THE THIRD (MINISTERIAL) PART OF THE NINTH SPECIAL SESSION

1. The PRESIDENT declared open the third part of the session, which was of historic significance because it was being held at the ministerial level. For that reason, and following the consultations he had had with the co-ordinators of the regional groups, he invited the Board, in accordance with rule 30 of the rules of procedure, to suspend that part of rule 30 relating to the office of President, so that the third part of the session could be presided over by a minister, without prejudice to the term of office of the current President.

2. It was so decided.

3. Mr. ZAIRE (Zaire), speaking on behalf of the countries of the Group of 77, nominated Mr. Thalathwaali, Minister of Commerce of Sri Lanka.

4. Mr. ČERNÍK (France), speaking on behalf of the countries of Group D, Mr. WIDUCH (Poland), speaking on behalf of the countries of Group E and Mr. WANG (China) supported the nomination.

5. The PRESIDENT said that, in the absence of any objection, he would take it that the Board decided that Mr. Thalathwaali should be elected President.

6. It was so decided.

7. Mr. Thalathwaali (Sri Lanka) took the Chair.

8. The PRESIDENT said that the special session was a historic one for several reasons. It was the first time that the Board was meeting in ministerial session, following the decision taken at the fourth session of the Conference. It was also the first time the Board had attempted itself to a single problem, namely, the growing external indebtedness of the developing countries. It was, furthermore, the first occasion since the last meeting of the Conference on International Economic Co-operation that the ministers were to express themselves on an issue that was now recognized as one of the most crucial in the field of international economic co-operation and international development. Yet it was to that area that the international community had seen the least progress. The General Assembly had, in resolutions S-9/2 and S-9/3, requested the Board to provide an immediate solution to that problem by reaching agreement on concrete and specific action. As it had not been possible to reach agreement at previous conferences and meetings, it was clear that the present ministerial session was not only faced with the challenge, but had perhaps the only available opportunity of negotiating an acceptable and workable solution. It was therefore its task to consider the problem in a frank, realistic and constructive manner. It must not belie the pr

OPENING STATEMENT BY THE SECRETARY-GENERAL OF UNCTAD

19. Mr. COREA (Secretary-General of UNCTAD) said that the Board's meeting at ministerial level was a major event in the context both of the ongoing dialogue on the establishment of a new international economic order and of UNCTAD itself as an organization. The meeting was the follow-up of Conference resolution 90 (IV) by which it had been decided that the Board should meet at ministerial level every two years between sessions of the Conference. That new institutional arrangement provided member States with an opportunity to discuss and resolve important policy issues, and thus enhanced the possibilities of stable economic growth for the world economy as a whole and, in particular, for developing countries.

20. In pursuance of Conference resolution 90 (IV) and in the light of subsequent preparatory meetings, the provisional agenda for the current session dealt with the question of the external indebtedness of developing countries. That was a complex issue which had assumed a disturbing place in the international dialogue on development questions, not only at the fourth session of the United Nations Conference on Trade and Development but also at the Conference on International Economic Co-operation. Even since then, there seemed to have been a discernible evolution in thinking and perhaps a better appreciation of the various viewpoints. The preparatory meetings for the current session had made it possible to identify the outstanding issues, so that they lay ready for consideration at a high level. He believed that there were now sufficient common elements to enable the Board to reach a constructive consensus. Such a positive outcome would transform the area of international financial co-operation and would materially improve the climate in its ongoing negotiations in the field of economic relations between developed and developing countries.

21. The total outstanding debt of the developing countries had increased at the rate of about 20 per cent per annum and had possibly reached, at the end of 1977, the figure of $US 400 billion if unallocated IMF commitments were included. Debt service payments during that year appeared to have absorbed as much as 21 per cent of the export earnings of non-oil exporting developing countries.

22. However, those figures, impressive as they might be, did not give an exact picture of the problem. It was now generally recognized that the question of external indebtedness must be seen in the broader framework of the interdependence of factors that affected the productive capacity of a country as well as the movements of its balance of payments. A problem might be said to exist when a country's foreign exchange resources originating in exports of goods and services and in long-term capital inflows continued to be insufficient to accommodate both the financing of imports necessary to sustain development as well as reverse flows on account of interest and amortization payments and profit remittances. In the past there had been controversy regarding the possible trade-off between a programme of adjustment of the debt-service problem and orderly debt reorganization. It was generally held that, in the first instance, the onus of adjustment should rest on the efforts of a debtor country (development programmes); others had considered that early debt reorganization would be the appropriate solution if medium-term debt-servicing problems were to be off-loaded and if longer-term debt-servicing capacity were to be improved. In the absence of international norms regarding minimum development expenditure, on the one hand, and the conditions justifying debt reorganization, on the other, problems of that kind had had to be - and had been - resolved on an ad hoc basis, which could have resulted in unequal

treatment of countries facing similar situations. In the light of the discussions of the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries, we are inclined to think that substantial progress had been achieved towards a common understanding of the issues involved, and that it might now be possible to establish internationally agreed guidelines that would safeguard both the development process of the debtor countries seeking relief and the interests of the creditors.

11. However, the question of appraisal in external indebtedness is not an aspect of the problem. An effective international strategy to deal with the question of external indebtedness should also encompass international measures designed to avert such serious difficulties. Seen in this broader context, the question of external indebtedness can affect not the functioning of the world economic system itself. The inherent instability in the external indebtedness of developing countries has its origins in the structural balance-of-payments deficits of current account that many developing countries experienced in recent years as a result of the prevailing economic and political crises in the global level. The financing of these deficits by the commercial banks of developing countries is unable to cope with the problem. Measures of developing countries to undertake economic adjustments to correct external disequilibria must be accompanied by measures in the international economic environment to facilitate the adjustment process in the debtor countries. Without such measures, the debt crisis will continue to be a source of instability for the world economy as a whole.

12. In the view of [illegible] the first step of the international community in this respect should be [illegible] in the case of countries that are facing the crisis as a consequence of external factors. Such measures should aim at [illegible] the relative burden of debt servicing in terms of export earnings. [illegible] after careful assessment of the debtor's situation, and with the assistance of a network of [illegible] it was [illegible] that some countries [illegible] debt servicing [illegible]. The question [illegible] should be considered [illegible] in the light of a broad [illegible] with [illegible] and [illegible].

13. In this [illegible] we [illegible] to emphasize the need to [illegible] perspective, since the [illegible] between short-term [illegible] financing and long-term development finance. It [illegible] to say [illegible] the use of [illegible] for [illegible]. Indeed, the need of developing countries for [illegible] is particularly acute in [illegible] which [illegible] to attract [illegible] to finance development finance [illegible] and [illegible] to [illegible] countries [illegible]. In the light of the view that the establishment of a multilateral mechanism to provide adequate long-term balance-of-payments financing to developing countries on terms and conditions consistent with their development needs could usefully supplement the role of private capital markets and enhance a development-oriented adjustment process.

20. A number of developing countries are certainly [illegible] in financing a good part of their external deficits, but their endeavours should not obscure the fact that several had been able to do so only by containing domestic expenditures. However, enlargement of the resources of the development process had contributed to the shortfall in the annual net private flows of developing countries as a group. In comparison with the target set forth in the

30. The PRESIDENT said that, if he heard no objection, he would take it that the Board decided to have the statement by the Secretary-General of UNCTAD circulated as a working document.

31. It was so decided.

INSTITUTIONAL MATTERS (item 9 of the provisional agenda)

(b) ARRANGEMENT OF ANY CHANGES IN THE MEMBERSHIP OF THE BOARD

32. The PRESIDENT said that the United Arab Emirates had informed the Secretary-General of UNCTAD that it wished to become a member of the Board. If there were no objections, he would take it that the United Arab Emirates had been designated as a member of the Board.

33. It was so decided.

PROCEDURAL MATTERS (item 1 of the provisional agenda)

(a) ADOPTION OF THE AGENDA

34. The provisional agenda (TD/B/609) was adopted.

PURSUANT TO CONFERENCE RESOLUTION 64 (IV), REVIEW OF ACTIVITIES CONCERNING THE INTERDEPENDENCE OF DEVELOPING COUNTRIES, IN PARTICULAR, THE ASSESSMENT OF FEATURES WHICH COULD PROVIDE GUIDANCE IN OPERATIONS RELATING TO LEAST DEVELOPED (agenda item 6)

CONSIDERATION OF DEVELOPMENTS BY DEVELOPING COUNTRIES AND OF VIEWS EXPRESSED AT THE FIRST AND SECOND SESSIONS OF THE INTERGOVERNMENTAL GROUP OF EXPERTS ON THE EXTERNAL INDEBTEDNESS OF DEVELOPING COUNTRIES AS REPORTED IN DOCUMENTS TD/B/672 AND TD/B/685 AND ADD.1-3 (agenda item 7)

CONSIDERATION OF ISSUES RAISED IN 149 (XVI) RELATING TO LEAST DEVELOPED, DEVELOPING ISLAND AND LAND-LOCKED DEVELOPING COUNTRIES (agenda item 4)

35. Mr. KANAFA (Sudan), speaking on behalf of the Group of 77, said that the first ministerial session would go down in the history of international economic relations: those who were invested with political responsibility would endeavour to seek solutions to critical issues which had proved so difficult to resolve at other levels.

36. In recent years, the world economy had experienced unprecedented economic disruption. High rates of inflation had coincided with the worst recession in 40 years. The terms of trade of most developing countries had deteriorated so sharply that their current account deficits had tripled, increasing from an annual average of about $20 billion in the early 1970s to about $50 billion. The development prospects of those countries had been seriously affected. In the most disadvantaged countries, real growth rates had barely attained half the target set in the International Development Strategy. The developing countries, which depended mainly on official transfers to meet their external financial needs,

those proposals. The granting of official debt relief by the developed countries to special categories of developing countries, as proposed by the Group of 77, consisted, in effect, only in extending to post-bonne the standards of concessionality currently recognized to be appropriate, by converting the official debt of the least developed, land-locked and island developing countries into grants, and by extending the same treatment to other most seriously affected countries or, at least, recalculating their official debt on ODA terms. That would bring the grant element of past official debt closer to the average grant element of current ODA flows to those categories of countries. The adoption of these proposals by the ministerial meeting would be a first step demonstrating the political will of the developed countries to fulfil their commitments to support the development objectives of the developing countries. In that connexion, the Group of 77 wished to express its appreciation of the steps taken recently by some developed market countries, which showed that its proposals were realistic and realizable. The encouraging statement by the Government of Canada on the subject [illegible] a commendable effort to facilitate agreement.

5. The proposals of the Group of 77 made a clear distinction between official debt and commercial debt, the relief proposed relating only to the former. As regards commercial debt, the Group of 77 had made specific proposals. It attached great importance to the activities of the commercial debt sections of the developing countries' embassies, and proposed that the ministerial meeting should request the Secretary-General to continue to study the issue further in the light of the proposals which had been put forward and in consultation with creditor banks, and suggest measures for consideration by the Board at its eighteenth special session.

6. As regards future debt management operations, it was noted that the good work done in advance by all the countries concerned, financial set-backs between creditors and debtor countries could be more widely and less uncertain, and would prove beneficial in both in the long term. The meeting should endorse the establishment of mechanisms for these operations on the basis of the proposals submitted by the Group of 77, especially with the international community's commitment to the achievement of satisfactory rates of growth in the developing countries. Detailed negotiations on the details of the guidelines could then begin in the very near future.

7. Viewed in the context of the wide range of economic problems faced by the international community, the outlook for the 1985 session of the developing countries became all the more important. Even before the world economy had fully recovered from the recession of the early 80s people, there were already indications of new uncertainties. The developing countries had been obliged to finance their debt servicing out their exports through export earnings. But world trade was currently growing at its lowest rate in many years. Economic policies in the industrial countries were being likely to bring about an improvement, and the failure of these countries to achieve their own growth targets and led to considerable unemployment, which explained the increase in protectionism in the developed countries. Several export items of interest to developing countries had already come under severe restrictions and the export prospects of these countries had been considerably compromised by the direct and

indirect action of the developed countries. At the same time, official assistance flows, which were far below international targets, had not increased. Aid from DAC member States, which had represented 0.35 per cent of their combined GNP in 1975, had declined to 0.33 per cent in 1976. Finally, private capital was available only to a limited number of developing countries and, even in such cases, only on onerous terms combined with relatively short-term maturities. In that economic environment, it was evident that, unless the international community immediately took adequate measures, development prospects for the developing countries in the short and medium term would remain bleak, and the social and economic consequences would last for decades.

45. Despite recognition by both developed and developing countries that the situation required urgent and decisive action by the international community, international negotiations in various forums had made little progress since the fourth session of the Conference. In the circumstances, the Board faced the prospect of submitting to the fourth session of the Conference nothing but a string of failures. The meeting offered the Board an opportunity of achieving the long-awaited breakthrough. The debt problem of the developing countries was not a purely financial question between lender and borrower. It embraced the whole underlying philosophy of international economic co-operation, and had to be seen in the context of the establishment of the new international economic order. It must not be said that the ministers - the political representatives of their peoples - were unable to grasp the true nature of the problems involved. If they failed to find meaningful solutions, those peoples would seriously question whether the calls for international economic co-operation that they had so often heard had any meaning.

The meeting rose at [illegible].

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United Nations Conference on Trade and Development

TRADE AND DEVELOPMENT BOARD

Ninth special session (Third Part)

SUMMARY RECORD OF THE 469th MEETING

held at the Palais des Nations, Geneva,
on Tuesday, 3 March 1970, at 11.40 a.m.

President: Mr. JAYAWARDENE (Sri Lanka)

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Pursuant to Conference resolution 64 (IV), review of actions concerning the indebtedness of developing countries, in particular, the discerning of features which could provide guidance in operations relating to debt problems (agenda item 2) (continued)

Consideration of proposals made by developing countries and of other views expressed at the first and second sessions of the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries as reported in documents TD/B/670 and TD/B/685 and Add.1-3 (agenda item 3) (continued)

Consideration of Board decision 149 (XVI) relating to least developed, developing island and land-locked countries (agenda item 4) (continued)

Procedural matters (agenda item 1) (continued).

(a) Adoption of the agenda and organization of the work of the session (continued)

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PURSUANT TO CONFERENCE RESOLUTION 46 (IV), REVIEW OF ACTIVITIES CONTRIBUTING TO INCONVENIENCE OF DEVELOPING COUNTRIES, IN PARTICULAR, THE DISCOVERY OF FEATURES WHICH COULD PROVIDE GUIDANCE IN ATTAINING RELIEF TO MOST PROBLEMS (agenda item 1) (TD/B/684 and Corr.1, 2 and 3; Corr.4; TD/B/C.2/L.[illegible]; TD/B/C.2/L.[illegible]; TD/B/C.2/9 and Corr.1; TD/B/EC.2/5) (continued)

CONSIDERATION OF PROPOSALS MADE BY DEVELOPING COUNTRIES AND OF OTHER VIEWS EXPRESSED AT THE FIRST AND SECOND SESSIONS OF THE INTERGOVERNMENTAL GROUP OF EXPERTS ON THE NATURAL DISADVANTAGES OF DEVELOPING COUNTRIES AS REFERRED TO IN PARAGRAPH TD/B/C.[illegible] AND TD/[illegible] AND 3 (a) AND (b) OF TD/B/684, TD/B/[illegible], TD/B/AC.[illegible]/[illegible] (continued)

CONSIDERATION OF BOARD DECISION 165 (XVI) RELATED TO LEAST DEVELOPED, DEVELOPING ISLAND AND LAND-LOCKED COUNTRIES (agenda item 4) (TD/B/[illegible] and Corr.1, TD/B/[illegible], TD/B/[illegible]) (continued)

1. Mr. de la FUENTE (Peru) said that the statement by the Minister for Foreign Affairs of Peru at the present session of the Board had referred to the seriousness and scope of responsibility with which the Government of Peru was confronting the present difficult economic and financial problems, at the national and international levels, and the initiatives to secure a constructive contribution to the Board's efforts in the present and foreseeable situation. It also reflected the Peruvian Government's conviction that the roots of the problem of external indebtedness lay in the present structure of international economic relations and that short-term measures must therefore be inspired within a broad context of the establishment of a harmonious, stable and increasingly interdependent new international economic order.

2. Thirteen years had elapsed since a set of general and special principles to govern international economic relations had been established at the first session of the Conference. Nearly five years had elapsed since the adoption of the Declaration and the Programme of Action on the Establishment of a New International Economic Order and the Charter of Economic Rights and Duties of States. And it was only a few months since the closure of the Conference on International Economic Co-operation, one of the largest and most extensive efforts ever made in the history of international economic relations and also one of the least productive. Although the results achieved since the first session of the Conference had not been very encouraging, progress had nevertheless been made in the evaluation the problems of development and their effect on international peace and security. The current special session of the Board would decisively demonstrate whether the international community was capable of finding, on the basis of consensus, appropriate formulae genuinely geared to the solution of the short-term and long-term debt problems of the developing countries.

3. There were no miracle solutions. Development and the adoption of the necessary measures to achieve it were the responsibility of each Government. But the international community also bore a share of responsibility to the extent that it wished individual measures to be in the general interest and to promote the harmonious development of international relations. For that there were two basic requirements: realism and cooperation - realism in order to establish viable positions and cooperation in order to find a common interest and bring it to the level of practical solutions.

9. That was, therefore, another of the basic elements which, in his opinion, should form part of the guidelines to be agreed on at the present session for the formulation of specific measures for solution of the debt problem. In other words, those measures should enable the rates of development established in the International Development Strategy to be maintained.

10. If the two basic principles which he had mentioned were adopted at the present session, the Board would have made tangible political progress in dealing with the question before it and would thus have opened the way towards more specific agreements. Such action would make it possible to establish more specific policy guidelines for the solution of individual aspects of the problem. It would also lend further support to the important action taken by Sweden, the Netherlands, Canada and Switzerland in favour of the least-developed countries and to initiatives such as that taken by Venezuela within the Organization of Petroleum-Exporting Countries. Those were noble gestures which should be acknowledged at the present session. Similar decisions might be taken with regard to the least developed countries' debts to the international financial institutions, especially the Agency for International Development, and the other industrialized countries might take the opportunity to follow the example which had been given.

11. The most complex problem before the Board, however, was the indebtedness of those countries whose debt-servicing constituted a short-term problem. In his opinion, the most important contribution the Board might make at the present ministerial part of the session would be the adoption of basic policy guidelines for case-by-case negotiations between debtor and creditor countries concerning the rescheduling of debts. Among the basic criteria on which agreement might be reached, emphasis should be placed on, firstly, the urgency of the need for action because of the anticipated impact of debt-servicing on export earnings and, secondly, an objective criterion to guide the national repayment effort measured in the light of movements of the prices of the raw materials exported by the debtor country concerned. He believed such a linking of debt-service payments to export prices was justifiable, as raw materials constituted the basic source of foreign currency earnings of the developing countries. The current depressed levels of such earnings was undoubtedly a major reason for the difficult situation confronted by those countries.

12. Expansion of non-traditional exports was another element which could, in the short term, provide additional resources to alleviate the situation confronted by debtor countries. In that connexion, a political compromise should be reached at the present session so that specific programmes might be undertaken for the expansion of the non-traditional exports of the developing countries, in particular through the identification and opening of markets, export credits and financing facilities for the import of inputs - measures which could be negotiated between the debtor and creditor countries directly involved and in the appropriate institutions.

13. The Peruvian Government was particularly concerned at the further escalation of protectionism in the industrialized countries. If that trend continued, any agreements reached within the Board would be fruitless. The Board must therefore draw attention to that development and the countries concerned must give a political undertaking to maintain the status quo with regard to trade restrictions.

14. Those efforts to deal with issues of concern to the developing countries which had remained dependent on reform of the international monetary system should

be given a fresh impetus. He had in mind in particular expansion and improvement of the International Monetary Fund's compensatory financing facility and the establishment of a link between the creation of special drawing rights and development financing.

15. The current difficulties resulted largely from the international community's failure to take timely and far-sighted decisions. What was now needed was a sense of timing and political vision, for without them the convening of the current ministerial meetings of the Board would be to no avail. His delegation was prepared to lend constructive support in the task before the Board and hoped that the session would be marked by decisions. If it was not, the aims of Conference resolution 94 (IV) and of the recent General Assembly resolution on the same subject would lose all credibility. His delegation was confident that the results achieved would reaffirm the viability of the Board's dialogue and the genuineness of its political vocation.

16. Mr. HUSSEIN (Egypt) said that his delegation's views on the developing countries' debt problems were in line with those expressed by the spokesman for the Group of 77 at the preceding meeting. Those problems were closely linked with the development efforts of those countries. In the developing world, some 800 million people currently lacked the minimum requirements in respect of nutrition, clean water, functional literacy, basic health services and decent accommodation. Increased growth rates and improved general economic conditions were the way out of the dilemma. If economic growth continued at the present low rate, the prospects for improvement would be even more remote. His delegation firmly believed, therefore, that debt relief and future debt reorganization were as important and vital as the flow of real resources in helping to improve the economic conditions of a considerable number of developing countries.

17. The indebtedness of the developing countries had been one of the major issues left outstanding after the Conference on International Economic Co-operation. The report on that Conference (document A/31/478) indicated that while the participants from developing countries had recognized that some progress had been achieved in meeting certain of their proposals, they had noted with regret that agreement had not been reached on most of the proposals for structural changes in the international economic system and on other proposals for urgent action to deal with pressing problems, including the debt problems of the developing countries. The participants in the Conference had nevertheless agreed that the work on the proposals considered at the Conference could form a useful basis for consideration in other appropriate forums.

18. At the resumed thirty-first session and at the thirty-second session of the General Assembly, the hope had been expressed that effective negotiations would be undertaken in the various organs of the United Nations system with a view to achieving positive results on all issues relating to the new international economic order, including the issue of the indebtedness of developing countries. In resolution 32/197, the General Assembly had called on the Trade and Development Board, [illegible] sessions, to reach satisfactory decisions on the debt problems of the developing countries. Egypt considered those problems to be one of the most important and urgent issues of the new world economic order. It believed that the Board could demonstrate a substantial political will at the present session and take immediate decisions that would produce tangible results. In preparation for the assessment of the progress made towards establishment of the new international economic order, the Committee of the Whole established under General Assembly resolution 32/174 would oversee and monitor the decisions and agreements reached by the Board.

19. It was therefore necessary to reach practical conclusions on adjustment of the terms and conditions of the outstanding debts owed to developed countries by certain groups of developing countries, an increased flow of official development assistance (ODA) in the form of grants or on IDA terms to the less developed countries and other poorer developing countries and the establishment of favourable norms and conditions to ensure certainty in future debt reorganization.

20. Through the Special Action Programme, some developed countries members of Group B had taken measures to alleviate the debt burden of the least developed countries, the most seriously affected countries and/or the lower-income countries. His delegation wished to pay tribute to the political will demonstrated by the Governments of Canada, the Netherlands, Norway and Switzerland. It invited other developed countries members of Groups B and D to adopt similar measures in response to the proposals of the Group of 77.

21. The Swedish suggestion on ODA debts submitted during the second session of the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries was a constructive contribution. His delegation proposed that that suggestion (TD/B/AC.3/AIM.1, pages 46 and 47) and the proposal by the Group of 77 contained in annex I to document TD/B/970 should be considered together by the Board, as its first priority. Both proposals aimed at placing the debtor countries once more on the road to development and increasing their future capacity to service their debts.

22. Paragraph 3 of Conference resolution 96 (IV) expressed the need to establish an internationally accepted policy framework within which debt reorganization could be flexibly conducted to deal with individual cases. In that connexion, the common elements in the case proposed by the Group of 77 and the United States proposal in document TD/B/AC.3/AIM.1 might form a suitable basis for possible agreed provisions to guide future debt reorganization.

23. In order to expedite the Board's work, it would be advisable to start negotiations immediately on the outstanding issues. His delegation hoped that there would be a change in the political will of the various groups that would result in a successful outcome for the session. World public opinion hoped for a satisfactory solution to the debt problems of the developing countries, a solution which would be reflected in the economic prosperity of the developed countries.

PROCEDURAL MATTERS (agenda item 4) (continued):

(a) ADOPTION OF THE AGENDA AND ORGANIZATION OF THE WORK OF THE SESSION (TD/B/694) (continued)

24. The PRESIDENT said that a number of questions connected with the organization of work at the third part of the session had been left pending at the preceding meeting.

25. In the light of consultations he had had with the regional co-ordinators on those questions, he suggested that, in addition to the plenary meetings, one committee of the whole and one working group should be established to consider the

official debt problems of developing countries. The working group would also consider the question of guidelines or common norms for future debt reorganization. In order to make the most effective use of the time available, the committee of the whole should not concern itself with the latter question until the working group was ready to present a report. Plenary meetings of the Board would take place concurrently with the meetings of the committee of the whole and of the working group. The Chairmen of those bodies would be elected on the basis of consultations to be held shortly with the Co-ordinators. Each of those bodies would elect its own Vice-Chairman-cum-Rapporteur.

26. It was so decided.

The meeting rose at 18.20 p.m.

United Nations Conference on Trade and Development

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TRADE AND DEVELOPMENT BOARD

Ninth Special Session (Third Part)

SUMMARY RECORD OF THE 490TH MEETING

held at the Palais des Nations, Geneva,
on Tuesday, 7 March 1978, at 3.15 p.m.

President: Mr. ATHULATHMUDALI (Sri Lanka)

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Institutional matters (agenda item 5) (continued)

(b) Announcement of any changes in the membership of the Board (continued)

Pursuant to Conference resolution 94 (IV), review of actions concerning the indebtedness of developing countries, in particular, the discerning of features which could provide guidance in operations relating to debt problems (agenda item 2) (continued)

Consideration of proposals made by developing countries and of other views expressed at the first and second sessions of the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries as reported in documents TD/B/670 and TD/B/685 and Add.1-5 (agenda item 3) (continued)

Consideration of Board decision 149 (XVI) relating to least developed, developing island and land-locked developing countries (agenda item 4) (continued)

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GE.78-03252

INSTITUTIONAL MATTERS (agenda item 5) (continued)

(b) ANNOUNCEMENT OF ANY CHANGES IN THE MEMBERSHIP OF THE BOARD (continued)

1. The PRESIDENT said that the Republic of Guinea had notified the Secretary-General of UNCTAD of its wish to become a member of the Board. In the absence of objection, he would consider that Guinea had become a member of the Board.

2. It was so decided.

PURSUANT TO CONFERENCE RESOLUTION 94 (IV), REVIEW OF ACTIONS CONCERNING THE INDEBTEDNESS OF DEVELOPING COUNTRIES, IN PARTICULAR, THE DISCERNING OF FEATURES WHICH COULD PROVIDE GUIDANCE IN OPERATIONS RELATING TO DEBT PROBLEMS (agenda item 2) (continued) (TD/B/685 and Add.1-5, TD/B/690, TD/B/695; TD/AC.2/9; TD/B/980/30)

CONSIDERATION OF PROPOSALS MADE BY DEVELOPING COUNTRIES AND OF OTHER VIEWS EXPRESSED AT THE FIRST AND SECOND SESSIONS OF THE INTERGOVERNMENTAL GROUP OF EXPERTS ON THE EXTERNAL INDEBTEDNESS OF DEVELOPING COUNTRIES AS REFLECTED IN DOCUMENT TD/B/670 AND TD/B/685 and Add.1-5 (agenda item 3) (continued) (TD/B/690, TD/B/695; UNCTAD/GA/1023)

CONSIDERATION OF BOARD DECISION 142 (XVI) RELATING TO LEAST DEVELOPED, DEVELOPING ISLAND AND LAND-LOCKED DEVELOPING COUNTRIES (agenda item 4) (continued) (TD/B/691 and Add.1, TD/B/690, TD/B/695)

3. Mr. HUSSEL (France), speaking on behalf of Group B, said that the countries members of that Group attached great importance to international co-operation in the field of indebtedness and development of developing countries. They reaffirmed their determination to continue the dialogue on the question of indebtedness and on the financial and development problems of the least developed countries.

4. The fourth session of the Conference had marked a first and important stage in the discussions and resolution 94 (IV) had provided an outline for work and reflection that had been first put to the test at the Conference on International Economic Co-operation where the question had been discussed at length. Even though no agreement had been reached, all the participants had considered that the work on the problem of indebtedness constituted a useful basis for work to be pursued elsewhere.

5. Further work had been done in UNCTAD, first by the Intergovernmental Group of Experts and later during the first two parts of the ninth special session of the Board.

6. The common position of the Group B countries at the conclusion of that preparatory phase could be summarized in the following way. The indebtedness problem of the developing countries was neither generalized nor unmanageable and the international system had so far reacted positively in order to alleviate serious problems of indebtedness and to find specific solutions in the case of individual countries faced with difficulties in servicing their debt. In that

connexion, the Group B countries recognized the pertinence and value of the proposals made by the European Economic Community and the United States of America which they believed deserved serious consideration. The real problem with which a number of developing countries were confronted was a problem of resource transfer and not a general problem of indebtedness. He pointed out that the Special Action Programme announced at the Conference on International Economic Co-operation formed part of the efforts of the Group B countries to assist certain low-income countries. As for the problems of the least developed countries, they were of a more general development nature: those countries had a special need for resource transfer in appropriate forms and on highly favourable terms.

9. To sum up, both creditors and debtors had an interest in preventing and resolving in an appropriate manner developing countries' problems of indebtedness. That was why the Group B countries wished to pursue multilateral co-operation with a view to acting rapidly to come to the assistance of developing countries faced with problems of indebtedness, and to contributing constructively to the development of international co-operation in that field.

8. It was in that open and constructive spirit that Group B approached the meeting of the Board at ministerial level, which they considered an important stage in international co-operation and which would represent a further step towards mutual understanding on the questions of indebtedness and development.

7. Mr. BOHNY (Switzerland) said that the meeting of the Board at ministerial level formed part of the overall North-South dialogue on the whole question of international economic relations and their interaction.

10. The question of indebtedness had already been the subject of extensive preparatory work both in UNCTAD and at the Paris Conference on International Economic Co-operation. That work had shown that indebtedness was not in itself an indication of difficulties. In fact the determining factor was the relation between the servicing of the debt and the economic characteristics of the particular county concerned, as well as its sensitiveness to the country to changes in the world economic situation.

11. That was why the problem of indebtedness could take so many different forms in different countries, and why there were so many different measures available to the international community for dealing with the problem. Some of those measures were direct and applicable to particular cases, others were concerned with the general context of international economic co-operation in which each country was seeking to solve its problems.

12. Among the latter were such particularly important measures as stabilization of commodity markets; pursuit of liberal trade policies, which was more necessary than ever; maintenance of normal access to capital markets, implementation of investment programmes conducive to economic and social development and strengthening of the activities of the international financing institutions.

13. Such measures, as well as all those serving the essential purpose of strengthening international monetary and financial co-operation, should enable developing countries to improve their economic and financial situation and thus help them to avoid indebtedness crises.

27. Mr. LAGUILLIER (International Chamber of Commerce), speaking at the invitation of the President, said that ICC, most of whose national committees were in the developing countries, had recently studied the problems created by the increase in the external debt of those countries and in the burden it represented for them.

28. In a statement adopted on 6 December 1977, the Commission on International Monetary Relations of ICC stressed the need for the developed countries, particularly those with surpluses, and the agencies for aid to development to lend their assistance. As the representative of Ghana, speaking on behalf of the Group of 77, had pointed out at the second part of the ninth special session of the Board, the sharp increase in borrowings on the private capital market to which some developing countries had been forced to have recourse clearly showed how far official aid for dealing with balance-of-payments deficits fell short of the needs. The international banking system had played a vital role as intermediary in the external financing of some developing countries, not only by providing loans, but also by seeking the most suitable methods of financing. But the banks had to pay interest on the deposits of their clients and they could not lend at rates lower than those at which they borrowed. That was why ICC's Commission on International Monetary Relations considered it essential that the balance-of-payments deficits of developing countries, and particularly those of the least developed countries should be financed by means other than recourse to the international markets.

29. In the opinion of ICC, therefore, deficit countries should make greater use of their special drawing right facilities in the International Monetary Fund (IMF) instead of having recourse to private banks, which should not become a substitute for the Fund. The banks would, of course, continue to play an important role in providing finance to developing countries, but not at the same rate as in the last three years, for otherwise the debt service burden would become unmanageable. They would also continue to bear the risk of the loans they granted, hoping, however, that the borrowing countries would manage their debt in the best possible manner, not only in terms of balanced finances, but also in terms of the burden which each country's debt signified for it and of the country's ability to bear it. In the case of contractual debts, the international community, including the banks, had always been able to come to some arrangement when debtor countries found it impossible to meet their obligations.

30. If, as had been proposed, the official debt of some developing countries was to be completely and automatically cancelled, that would set a precedent which could weaken the confidence between lender and borrower that was essential. Such a step, which would seem to place in question the sense of responsibility in financial management shown by the large majority of developing countries, might cause the banks to doubt the creditworthiness of those countries, and therefore might make them think twice before granting them credit. Countries which, because of the level and structure of their debt and the way in which they managed it, seemed qualified for access to the capital market might be denied such access. Such a measure might also prove a deterrent to international private investment flows to countries in great need. Finally, there was the possibility that such a measure, which would be equivalent to a single and definitive transfer

of very substantial resources, would limit the development of official aid on highly concessional terms, including that which was channelled through organizations such as IDA and the regional development banks.

31. Such a decision would therefore prove harmful to the developing countries themselves. TDB was convinced of the need for a massive increase in official aid, which, in the case of the poorest countries, should be on highly concessional terms. The development effort should be a joint one and the main responsibility lay with the developed countries, particularly those with surpluses. That responsibility, like that of the developing countries, should not be shirked.

32. Mr. HUSSEINIEN (Austria) said that the Board was dealing with extremely important issues which had a direct bearing on the interdependence of the economic development of both developing and developed countries. Since the last session of the Conference, the debt problem had been discussed in various international forums. While it was only one of the elements to limit economic growth of the developing countries, it should be borne in mind that heavy debt service payments had an adverse effect on the economic performance of debtor countries. The poorest developing countries frequently had a limited export potential and limited access to international capital markets. In view of their limited ability to obtain foreign exchange and to meet their debt service obligations, the international community must, with some urgency, make a determined effort to improve the situation.

33. In the long run, the ability of that group of countries to meet their debt service obligations would depend very much on their overall economic performance. That performance could be improved by debt cancellation, by increasing the transfer of resources and by providing assistance for the implementation of economic development programmes. Within an overall multilateral framework, the specific requirements of the individual countries should be considered and a flexible approach should be adopted. Debt relief action should meet the particular needs of each country. Therefore, a case-by-case approach should be followed in the context of the Paris International Debt Tending.

34. The proposal made by the United States and the European Economic Community at the Conference on International Economic Co-operation might provide guidance for future operations. Nevertheless, the emphasis should not be solely on debt relief and it would be preferable to envisage a mix of different measures not only when a debt crisis was imminent, but also when dealing with long-term debt and balance-of-payments problems. In that context, consideration should be given to debt reorganization measures, outright cancellation of debts, and additional assistance in the form of grants or concessional government loans, as well as to measures to private lending on concessional terms officially guaranteed.

35. In order to meet the specific needs of debtor countries and the possibilities of creditor countries for remedial action, the cancellation of government loans was only one method by which the economic position of the developing countries might be improved. Additional concessional official loans might also be envisaged for infrastructural improvement or for the execution of projects which had a direct positive impact on exports or stimulated import substitution. The measures taken by Governments could also be supplemented by private credits on concessional terms officially guaranteed for projects with self-repayment potential.

36. A combination of some or all of those measures could rapidly increase the creditworthiness of developing countries and contribute to the acceleration of their economic growth. Priorities would have to be established having regard to the relative urgency of the corrective measures to be taken and the special needs of the country concerned.

37. Austria was already taking part in the rescheduling of outstanding debts and the Government was considering, subject to the passing of the necessary legislation by Parliament, the introduction of additional measures concerning official loans to the poorest developing countries.

38. Mr. HOLLEY (Canada) said that the head of the Canadian delegation had acknowledged, at the fourth session of the Conference, the importance of UNCTAD and its contribution to international economic co-operation for the benefit of all countries and peoples. Since 1976, the importance of the organization had continued to grow and the events which had taken place at the Paris Conference on International Economic Co-operation and subsequently at Geneva had permanently altered the way in which international economic problems were perceived and the way of coping with them. UNCTAD had become one of the principal institutions in which solutions to economic problems of global concern were worked out.

39. One of those problems was the economic state of indebtedness of the developing countries. The fact that the problem was seen in different ways by different countries had not diminished the urgency of the issue nor, unfortunately, made it easier to find solutions. The interrelationship of indebtedness or, more precisely, debt management, and the international payments system and the economies of all countries, both developed and developing, in international capital markets further complicated the task. However, over the past two years, in particular, the efforts of the international community to grasp and find solutions to the problem had not been completely in vain. There was now a better appreciation of the ways in which indebtedness could affect the economic environment of the developing countries, and the latter seemed to have a clearer concept of the problems facing the developed nations and their position as creditors. It seemed that those concepts and positions, although still quite divergent, could be reconciled.

40. It had also been learned that the most promising way to make progress was through a sustained dialogue based on recognition of the need to increase the levels of concessional resource transfers to those countries in greatest need, for example, the least developed countries. The Canadian delegation believed that the stage of analysis and assessment had been passed, that polemic and rhetoric should be abandoned and that practical solutions to those very specific problems must be found.

41. The growth of the global balance-of-payments deficit of the non-oil-exporting developing countries emphasized the importance of the problem. Those deficits, although large, were not in themselves critical provided it was recognized where and when accommodation might be needed to prevent economic disruption in a particular country. Consequently the Board should not confine itself to an examination of the current debt problems of developing countries, but should attempt to find a way of anticipating and defining future problems and to agree on the measures needed to alleviate them.

43. Canada attached great importance to the provision of development assistance on the softest possible terms to the poorest developing countries. It therefore considered that development assistance loans should not result in the inability of the recipients to meet their external commitments.

44. It did not regard debt relief as a normal transfer mechanism. However, in view of the very great disparity in repayment capacities and, therefore, in view of the critical need of those countries defined by the United Nations as least developed, Canada had decided, at the Conference on International Economic Co-operation, to cancel the repayment of outstanding ODA debts owed by those countries. It was pleased to note that it was not alone in taking such action, which was taken within the framework of a decision that all Canadian aid to the least developed countries was to be made in the future in the form of grants. That decision, which formed part of Canadian aid policy, should not, however, be interpreted to mean generalized debt relief, for such action would misallocate scarce concessional resources.

45. His Government was continuing to study the debt relief requirements of developing countries on a case-by-case basis. It hoped that the Board would find, during the meeting, the basis for a better understanding of the features of the two general categories of debt problems identified in international forums over the last two years. Canada would welcome any improvement in the operations of the creditor clubs or consortium arrangements currently dealing with indebtedness, but it agreed with those countries which believed that the establishment of automatic provisions did not constitute a step forward.

46. In substance, Canada felt that any problem of indebtedness should be considered in the context of an overall balance-of-payments situation that was governed by a number of factors, of which debt service was but one. In addition, it recognized that the deficit position of the poorest developing countries was closely tied to the level of external financial flows - both commercial and concessional - and that any disruption in those flows should be kept to a minimum. Finally, in view of its own experience, Canada considered that the achievement of economic goals could not be dissociated from the question of the management, by the borrowing country itself, of its external debt.

47. Canada, although a developed country, was still largely dependent on external financing and thus shared many of the problems of the developing countries. It was committed to the search for solutions to debt problems, which, if unresolved, would further weaken economic prospects and limit the future development possibilities of all. All Governments shared a very heavy responsibility to contribute to the promotion of confidence in the global economic community and the task of the meeting was to ensure a rapprochement of differing views and seek realistic solutions to the indebtedness problem.

The meeting rose at 4.10 p.m.

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TRADE AND DEVELOPMENT BOARD

Ninth Special Session (Third Part)

SUMMARY RECORD OF THE 491st MEETING

held at the Palais des Nations, Geneva,
on Wednesday, 8 March 1978, at 11.25 a.m.

President: Mr. ATHULATHMUDALI (Sri Lanka)

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1. The PRESIDENT, after declaring the meeting open, said that he would suspend it briefly to enable the Committee of the Whole to hold its first meeting and elect its Chairman.

The meeting was suspended at 11.25 a.m. and resumed at 11.50 a.m.

PROCEDURAL MATTERS (agenda item 1) (continued):

(a) ADOPTION OF THE AGENDA AND ORGANIZATION OF WORK OF THE SESSION (continued)

2. The PRESIDENT invited the Board to elect a Chairman for the Working Group established at the 489th meeting.

3. Mr. MESSMI (France) nominated Mr. Kastoft (Denmark) for the office of Chairman of the Working Group.

4. Mr. BRILLANTES (Philippines), Mr. OSMAN (Somalia) and Mr. PANKIN (Union of Soviet Socialist Republics) supported the nomination.

5. Mr. Kastoft (Denmark) was elected Chairman of the Working Group.

The meeting was suspended at 11.55 a.m. and resumed at 11.40 p.m.

PURSUANT TO CONFERENCE RESOLUTION 94 (IV), REVIEW OF ACTIONS CONCERNING THE INDEBTEDNESS OF DEVELOPING COUNTRIES, IN PARTICULAR, THE DISCERNING OF FEATURES WHICH COULD PROVIDE GUIDANCE IN OPERATIONS RELATING TO DEBT PROBLEMS (agenda item 9) (continued) (TD/B/688 and Corr.1 (E only), TD/B/685/Add.1 and Corr.1 (E only) and Add.2-5, TD/B/690, TD/B/695, TD/B/697; TD/AC.2/9 and Corr.1 (E only); TD/B/WG.9/30)

CONSIDERATION OF PROPOSALS MADE BY DEVELOPING COUNTRIES AND OF OTHER VIEWS EXPRESSED AT THE FIRST AND SECOND SESSIONS OF THE INTERGOVERNMENTAL GROUP OF EXPERTS ON THE EXTERNAL INDEBTEDNESS OF DEVELOPING COUNTRIES AS REPORTED IN DOCUMENTS TD/B/670 AND TD/B/685 and Add.1-5 (agenda item 8) (continued) (TD/B/690, TD/B/695, TD/B/697; UNCTAD/C.A/1022)

CONSIDERATION OF BOARD DECISION 149 (XVI) RELATING TO LEAST DEVELOPED, DEVELOPING ISLAND AND LAND-LOCKED DEVELOPING COUNTRIES (agenda item 4) (continued) (TD/B/681 and Add.1, TD/B/690, TD/B/695, TD/B/697)

6. Mrs. OESTERGAARD (Denmark), speaking on behalf of the European Economic Community, said that the members of the Community welcomed the opportunity to participate in the ministerial meeting, which had a limited number of issues on its agenda, each of which was intended to consider in turn.

7. In recent years, the world had changed in many ways, not only with respect to technical innovations and evolving economic relationships but also with respect to basic attitudes within and between its various societies. The interdependence of the world's societies was increasingly recognized as was the need for solidarity not only with one's own people but with the peoples of all countries.

8. The members of the European Economic Community, while endeavouring to integrate their economies on a basis of mutual interdependence and solidarity, had not become inward-looking. The Community had always been keenly aware of the need for co-operation with other countries, both developed and developing, and had played an instrumental role in initiating the highly important north-south dialogue.

9. Two of the items on the Board's agenda related to the indebtedness of the developing countries. Such indebtedness did not necessarily indicate the financial or economic weakness of those countries but rather their determination to continue their growth, often in very difficult circumstances. The whole international community had an important stake in ensuring the success of those efforts and would have to create conditions which would control inflation, facilitate an increase in world trade and strengthen resource transfers, thus providing the basis for a resumption of sustainable economic growth.

10. Having analysed the current debt situation of the developing countries, the European Economic Community was convinced that solutions should be sought on a case-by-case basis and that the appropriate remedial measures should be tailored to the individual debtor country. It was in the interests of both creditor and debtor countries that the developing countries should succeed in avoiding debt-servicing difficulties in a way consistent with full development. Continued co-operation between developing countries, international financial institutions and donor countries had therefore to be ensured. By efficient management of resources, it should be possible to avoid financial problems that unduly hampered the progress of developing countries towards economic and social development. Against that background, the Community's response to the mandate set forth in Conference resolution 94 (IV) was to propose a framework of features which could provide flexible guidance in respect of future operations relating to debt problems in the developing countries.

11. Such a framework should distinguish between two solutions, one comprising the features characterizing debt reorganization in default situations and the other relating to remedial measures for situations of a longer-term nature. The countries concerned and the international community at large had to be certain that appropriate measures could be taken both quickly and firmly. The adoption of such a framework would be to the advantage of developing and donor countries alike. EEC/United States proposals along those lines were annexed to the report of the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries on its second session (TD/B/635/Add.1). It was intended that the proposals in question would be formally submitted to the Board.

12. The question of indebtedness was only one of a number of constraints facing the least developed countries, whose severe long-term problems called for long-term solutions. The Community had given wholehearted support to the principle of special measures in favour of those countries endorsed in Conference resolution 96 (IV) and its actions had lived up to its words. Between 1970 and 1976, the bilateral assistance provided by its member States to the least developed countries had more than trebled, the least developed countries' share of its total aid flows rising from 12 per cent to 16 per cent.

More recently, the members of the Community had provided nearly 37 per cent of the $7.6 billion replenishment of the resources of the International Development Association (IDA). Furthermore, the overall grant element of the assistance extended by those States to the least developed countries was well above average for members of the OECD Development Assistance Committee as a whole.

13. The Community had considerably increased the least developed countries' share of its aid flows and had adopted a number of policies designed to be of particular assistance to them. In that connexion, the Lomé Convention's wide range of instruments in the fields of both financial assistance and trade provided a coherent response to the needs of a large group of the world's poorest countries, including 19 of the 29 countries classed as least developed by the United Nations and 9 other poor countries. Those countries, which accounted for 40 per cent of the population of the developing countries parties to the Convention, were expected to receive about two thirds of the European Development Fund's total aid on extremely favourable terms, while also enjoying under the Convention preferential treatment designed to stabilize their export earnings.

14. The Community, acting in the spirit of the Tokyo Declaration, was seeking to define preferential treatment in the context of the multilateral Trade Negotiations and, on its own initiative, had introduced certain concessions into its scheme of generalized preferences.

15. More than half of the Community's food aid - amounting to a grant of more than $250 million per annum - went to the least developed countries.

16. In the Conference on International Economic Co-operation, the Community had launched the initiative which had led to the establishment of the $1 billion Special Action Programme and its member States were contributing to that Programme, through IDA, some $285 million or nearly two fifths of the total amount.

17. She had mentioned those activities only in order to underline the need for a comprehensive approach to the problems of the least developed countries and to emphasize the whole rather than any particular aspect. The 1977 Meeting of Multilateral and Bilateral Financial and Technical Assistance Institutions with Representatives of the Least Developed Countries had made very much the same point and its report (TD/B/681) had rightly stressed the need to increase aid flows, improve terms and conditions and increase absorptive capacity.

18. The European Economic Community believed that such measures would provide a useful guide to future policy and it was giving serious consideration to the suggestions made by the Secretary-General of UNCTAD concerning an adjustment of the terms of past bilateral official development assistance.

19. Speaking as the representative of Denmark, she said that the Danish Government fully understood the serious problems facing some of the least developed countries and arising, inter alia, from their increasing debt burden. It recognized the need for initiatives to increase official development assistance to those countries and was ready to act with the greatest possible flexibility towards that end.

24. Although British development loans were extended to land-locked developing countries on very soft terms, corresponding to a grant element of 86 per cent, her Government was contemplating a further softening of the terms of future lending to those countries.

31. A group of the least developed countries needed more substantial and tangible assistance forthwith. Her Government had established, on the basis of official statistics, the economic situation of those developing countries which had received British development loans in the past and had identified a number of countries for which the repayment of their official debt would seriously hamper future economic growth. Her Government was considering possible ways of helping to solve those countries' indebtedness problems. It intended to arrive at arrangements tailored to the specific needs of the individual country and the measures envisaged could, if necessary, include complete cancellation or rescheduling of the loans.

32. Her delegation hoped that, in the near future, the necessary negotiations with the group of less-developed developing countries would begin and would lead to tangible and satisfactory results.

33. Mr. WILLIAMS (Guyana) said that the indebtedness of the non-oil-producing developing countries had increased dramatically from $US billion in 197[illegible] to almost $200 billion at present. During the same period their debt-servicing obligations had increased from $8 billion to more than $35 billion, and the terms of the debts had stiffened, primarily as a result of the resurge in private debts.

34. These changes had severely affected the development prospects of the poorer developing countries: a steadily increasing share of their meagre foreign exchange earnings (at present more than 15 per cent) was being devoted to debt-servicing; the ratio of annual debt-service payments to levels of foreign currency reserves frequently amounted to about 50 per cent; and for the least developed and most seriously affected developing countries, total external debts represented 30-40 per cent of their GNP. It was therefore no exaggeration to say that the debt burden of developing countries constituted a serious international problem.

35. The four-fold increase in oil prices and rapid inflation in the early and mid-1970's had had a fundamental impact on the world economy. Among the members of OECD, some countries had emphasized full employment and accepted growing balance-of-payments deficits; others had concentrated on combating inflation and had permitted rather high levels of unemployment.

36. The majority of the developing countries, on the other hand, had had little choice, their options being limited by poverty itself. Most of them had not been in a position to compensate for growing deficits by increased export prices for commodities, manufactured goods or services. Many of those countries had suffered acute food problems, which had made the situation even worse. Increased assistance had been requested in order to meet oil import bills. However, the results of those pleas had been meagre in terms of additional resource transfers. The poorest countries had experienced stagnation as a result of declining growth rates and increasing needs, while the not so poor had in many cases been able to resort to increased external borrowing.

27. Another important aspect of the debt problem was the growing awareness of global interdependence. The poverty gap between north and south was no longer a philanthropic issue, and the slogan "One world" had more economic connotations than when it had first been coined. The handling of the debt problem was an important element in the preservation of a viable world economy. Failure to handle it adequately could have serious repercussions on the economies of both developed and developing countries. Those simple facts should be highlighted at the present session of the Board and should serve as a reminder that the debt issue could not be dealt with in isolation, since indebtedness formed part of a much broader economic picture. Any meaningful discussion of debt problems must be related to the general development situation of the countries concerned.

28. The economic situation of the poorest countries was particularly serious. During the past four years their growth rate had averaged 0.5 per cent as compared with more than 3 per cent for the middle-income countries. The level of internal savings of those countries had remained low and the cost of their imports of oil and manufactured goods had increased dramatically. Furthermore, net resource flows from developed countries and multilateral institutions had stagnated and most of the poorest countries were faced with a continuing trend of low or even declining real export earnings. Consequently, the ratio of debt to annual exports had increased substantially for that group of countries as a whole.

29. The total debt burden and debt-service obligations of the poorest countries might appear manageable in nominal terms, and that was largely because those countries had not been regarded as sufficiently creditworthy to gain access to ordinary capital-market borrowing. Even the non-ODA part of the outstanding debts of the poorest countries was rapidly increasing. Given their pressing resource needs and the inadequacy of their export earnings and of the official development assistance they received, they had no choice but to resort to the expensive and volatile market of short-term private loans and commercial credits. The development prospects of the poorest countries were therefore not bright. Those countries would continue to find ever low levels of indebtedness unbearable and, if the present situation continued, they would soon encounter acute debt problems.

30. The situation of the richer, middle-income countries was different but in no way less disturbing. Over the past four years their debt burden had more than doubled. In 1978 their debt-service obligations had been double the total ODA extended to them. Many of those countries would have to devote more than a quarter of their export earnings to debt servicing and would encounter serious bunching problems within the next few years. For those countries the alternative to increased borrowing would have been a dramatic reduction of internal economic activity, which would in turn have resulted in severe suffering for the large poorer segment of their population.

31. Another aspect of the debt issue was that the accumulation of debts in the developing countries had had a considerable favourable effect on stagnating economies in the developed world. Those debts had generated sizeable export orders and millions of jobs in the countries members of OECD and many developing countries, by resorting to borrowing during the oil crisis, had substantially reduced the impact of the economic crisis in the industrialized countries. That development vividly illustrated the fact that borrowing by developing countries had become an important element in international interdependence and it was therefore an issue to be solved jointly if there was not to be serious general destabilization.

32. Against that background, it was not surprising that the mounting debts of developing countries had constituted one of the most important - and unresolved - issues in the north-south dialogue. It was disappointing that the international community had so far made no substantial progress on that issue despite painstaking endeavours at the fourth session of the United Nations Conference on Trade and Development and at the Conference on International Economic Co-operation (CIEC). The present meetings at the Board therefore provided a golden opportunity for breathing new life into the stagnating north-south dialogue. That opportunity should not be missed. Other measures in dealing with the debt issue would have not only an economic impact, but also a great psychological and political impact.

33. As his delegation had announced at the thirty-second session of the General Assembly, Sweden intended to write off all its aid credits to the least developed and most seriously affected countries. It had taken that initiative in the hope that other countries would follow its example, and to that end, it had submitted, at the present session of the Board, flexible proposals for increased resource transfers, including ODA debt relief, to the poorest developing countries.

34. Debt cancellation was not the only means of alleviating the debt burden of the poorest countries. Similar effects might be achieved by other measures which might be more acceptable to creditor countries. Such measures might include increased ODA, the retroactive adjustment of terms of all loans and a general improvement of the terms of loans to the poorest countries. Regardless of the means chosen, it was important to give at the present session a clear commitment that positive measures would be taken.

35. Such a decision would not place an excessive burden on any country. If all the industrialized countries decided to write off all outstanding ODA credits to the poorest countries, the impact on their economies would correspond to about 0.013 per cent of their combined GNP. On the recipient side, such action would be approximately equivalent to a 10 per cent increase in present ODA flows. Thus the additional effort required would by any definition be a marginal one.

36. And yet there were serious apprehensions about the whole concept of direct debt relief. It had been said that it was against established rules and morality; that one should not try to solve problems in the international credit system by calling its foundations in question; and that if the developing countries needed help, it should be provided in the form of increased aid and not debt relief. In fact, a whole arsenal of arguments had been marshalled against debt cancellation. If the rich countries had been willing to provide more aid in the first place, however, the present situation would not have arisen and the poorest countries would not have been forced to borrow funds in non-concessional markets.

37. It was also alleged that debt relief was counterproductive since it might erode a country's creditworthiness. That argument was unconvincing, since debt relief as a single, clearly delimited operation in favour of the poorest countries should be regarded as an appropriate and refined form of resource transfer. It resulted in an improved balance-of-payments situation and improved creditworthiness for each country concerned. From the standpoint of banking psychology, it was unreasonable to compare the reaction against defaulting "clients" with the effect of a limited debt-relief decision initiated by the creditor community itself. The transactions involved were not ordinary commercial credit transfer actions but marginal measures limited to ODA.

38. The IDA debt problems of the poorest developing countries therefore appeared to be quite soluble. Obviously, however, the Board should also tackle the much greater and more difficult issue of the establishment of an equitable framework for managing the general debt problem of developing countries. That was not an abstract technical issue. It must not only be considered in a development context and handled with an eye to the development priorities of the developing countries themselves, but it must also be realized that an overall, development-oriented framework for handling general debt issues was an essential requirement for the continued health and stability of the world economy.

39. In his opinion, the proposals made by UNCTAD by a number of developing countries and by the United States and the European Economic Community in their recently circulated common position constituted a reasonable framework for such negotiations. At the least the Board should be able to agree on follow-up action on those proposals. His delegation therefore suggested that a special working party or expert group should be established to consider the problem with a view to producing positive results in time for the fifth session of the United Nations Conference on Trade and Development.

40. The Board should take two-fold action: it should [illegible] to alleviate the debt burden of the poorest countries by means of debt cancellation or equivalent measures; and it should recommend modalities for the long-term task of reconstituting the overall debt burden of developing countries which face serious repayment problems. The general problem was admittedly much more difficult, but his delegation had no doubt that action in both areas was necessary for stable international economic development and improved [illegible] between debtor and creditor nations. It shared the view that [illegible] should be used in dealing with debt issues. It was not called upon to be an [illegible] banking standpoint. The main objective was rather to bring about, or at least promote, the flow in economic development assistance to the poor and the rich countries.

41. Mr. WANG (China) said the fact that the present important meetings of the Board were being held was due to the vigorous efforts of the developing countries. His delegation hoped that, during the present session, decisions would be taken to alleviate the debt burden of those countries as a practical step towards the establishment of a new international economic order.

42. The debt problem constituted an important issue in economic relations between the developing and the developed countries. The indebtedness of the former countries was already considerable, having increased from $50 billion in 1969 to $200 billion in 1976. The increase had been particularly rapid in the past five years and repayment of principal and interest was becoming an increasingly heavy burden. In 1976 debt-servicing alone had cost $52 billion and some countries had been obliged to contract new debts in order to repay old ones. The debt problem was not only serious but also widespread. More than 100 developing countries had debts of varying amounts and over 30 such countries owed more than $100 million each. That problem would not but hinder the development of the countries concerned, jeopardize their people's livelihood and even endanger political stability in some countries. In those circumstances, it was reasonable and even necessary for them to demand immediate and generalized alleviation of their indebtedness.

47. The huge accumulation of debts in the developing countries bore witness to exploitation by the super-Powers. The super-Power that professed to be a "natural ally" of the developing countries could not conceal its insidious exploitation and plunder of those countries, despite its repeated protestations of non-responsibility for their plight. As a latecomer among the imperialist countries, it was more rapacious than its predecessors and had outdone them in exploiting and plundering the developing countries. It sold arms and production equipment at high prices under the pretext of giving military and economic aid. It made a practice of taking advantage of other countries' difficulties to press for debt repayment, to buy at excessively low prices the products of the enterprises built with its assistance and to reap enormous profits from them. It used its loans and accessories and spare parts for aid projects as a means of controlling other countries and interfering in their internal affairs. It tried to throttle those who rejected its leadership and even to subvert their Governments.

48. In its economic relations with the developing countries, that super-Power was guilty of economic control, exploitation and plunder as well as of political bullying, interference and aggression. It had a clear responsibility for the insolvency of the developing countries, and no mask of "socialism" could possibly absolve it from that responsibility.

49. The solution of the debt problem was an important part of the efforts to establish a new international economic order and must be linked to the struggle against monopoly and exploitation by imperialism and the super-Powers and to the abolition of the old system of international economic relations. The Chinese delegation supported the reasonable proposals made by the developing countries for a generalized solution of that problem. It supported their reasonable request for a reduction or cancellation of their debt burdens and for increased financial aid for development. It supported the proposal for debt reorganization in favour of the developing countries. It noted that some second world countries had committed themselves to alleviating the debt burden of the developing countries with a view to improving their economic co-operation with them. Their initiatives were of positive significance for the discussions on the debt problem.

50. His delegation had consistently maintained that the only way for a country to develop its national economy was to rely on its own manpower and material and financial resources and to implement a policy of independence and self-reliance. It might also be necessary for a developing country, depending on its development needs and special requirements at a certain stage, to borrow external financial resources in order to develop its national economy. His delegation maintained that economic assistance to developing countries must strictly respect the sovereignty of the recipient, must not be accompanied by political or military requirements and must not extort special privileges or excessive profits. Loans to developing countries should be interest-free or at low rates of interest and should allow delayed repayment of capital and interest, when necessary.

51. His delegation opposed the exploitation of developing countries by usury or blackmail in the name of assistance and believed that there should be proper guidelines for debt reorganization for those countries. It also opposed any attempt by any super-Power to exploit the developing countries' desire to give

priority to settling the debt problem of the least developing countries, and any attempt to replace development aid by the idea of satisfying "basic needs", thereby creating confusion on the part of the developing countries and diverting them from the struggle for the establishment of a new international economic order. In tackling the debt problem, full consideration must be given to the difficulties of the recipient countries. His delegation firmly opposed the practice of taking advantage of other countries' difficulties to press for debt repayment.

52. The Board should take action at the present session to mitigate the developing countries' debt burden and should continue to follow the general course charted by the General Assembly at its sixth special session on implement General Assembly resolution 32/197 and other principles adopted by UNCTAD on the question of solution of the debt problem of the developing countries.

53. Mr. TERVAHO (Finland) said that his country has introduced development credits only to a limited extent in its bilateral assistance programme. They had been granted on highly concessional terms and had not, therefore, given rise to any substantial debt servicing problems. However, recognizing that even moderate debt servicing might affect the economies of the poorest developing countries, Finland had already adjusted its development assistance policies. Thus, from 1977 onwards, its official development assistance (ODA) to the least developed countries has been provided on a grant basis. His Government had also decided to extend until the beginning of the next decade amortization payments on outstanding official development credits to those countries.

54. The question of the debt relief for the least developed countries and other countries in a similar economic position had been under careful consideration for some months. Although a final decision had not yet been taken, Finland was prepared to contribute actively towards a generally acceptable solution which would improve relatively the external financing situation of those countries. His Government considered that a dual approach should be adopted: on the one hand, the existing debt servicing burden of the least developed countries should be alleviated and, on the other, new resources should be allocated for their development. Action to deal with the debt burden should be viewed as a means of achieving a net increase in ODA flows to those countries. The Finnish Government had decided to set a medium-term intermediate target of at least doubling its present official development assistance.

55. At its fourth session, the Conference had drawn attention to the need to identify features which could provide guidance in future debt operations. His Government supported the idea of analysing and further developing the various proposals concerning common features or guidelines for the conduct of debt re-negotiations whenever serious debt servicing problems arose.

56. The convening of the Board at the ministerial level was a historic occasion and a clear recognition of UNCTAD's role in the North-South dialogue. Finland fully supported that role and believed that, by taking constructive action now, the Board could contribute to progress in the dialogue, the ultimate goal of which was and must be the establishment of the new international economic order.

37. Mr. PATTERSON (Jamaica) said that the first meetings of the Board at Ministerial level had profound implications for the negotiations on establishment of the new international economic order; failure to advance negotiations on the problem of the indebtedness of the developing countries would indeed be regrettable.

38. Jamaica entirely agreed that there must be an end to analysis and assessment of the indebtedness of the developing countries, because the gravity of the problem demanded immediate action. His delegation was concerned and disappointed at the fact that the exhortations to identify practical solutions had not resulted in the presentation of specific proposals in the statements made by many of the developed countries. The international community could not continue to display gross indifference to a problem which vitally affected future levels of economic activity and the all-important objective of full world-wide employment. The interdependence between developing and developed countries was nowhere more evident than in the area of international financing and debt servicing. That interdependence had been recognized by the Group of 77 in the position it had adopted on the most crucial of developing countries in the 1976 Manila Declaration. That position had covered the main requirements of a developing world seeking to involve the whole of its population in the development process. During the ensuing dialogue and negotiations, that position had been substantially modified, not because it had been proved, but merely in the interests of reaching some agreement.

39. His delegation considered that the statement made by the spokesman for the Group of 77 at the 488th meeting represented the minimal position of the developing countries. That statement had included specific proposals for action to be taken immediately in respect of official debts. His Government fully supported those proposals. The importance of commercial debts had been overemphasized, since they constituted at least half of the total debt owed by the developing countries.

40. The developing countries were major clients of the international market and would continue to be so, provided that a relationship of confidence could be maintained between the developing countries and their creditors, on the basis of respect for contractual obligations. However, the fact must be faced that some developing countries were compelled to raise further loans solely in order to finance debt servicing of existing loans. In addition, the developing countries urgently required new loans if they were to finance essential development programmes. Unless resolved, the resulting problems, both for borrower and lender country, could lead to the delaying of development projects, with the likelihood of social upheaval, financial chaos and widespread economic disaster in developed and developing countries alike.

41. If the very low growth rate of the developing countries continued at the same level, their current account deficit, given the present terms of production, could be about $XX billion per annum. Continued borrowing by those countries, not only to finance growth but also to service their existing debt, would cause their total debt to double over the next three or four years. The effect of that level of debt servicing for the developing countries was clear to all. Indeed, even with a much lower level of debt servicing at present, the developing countries were having difficulty in meeting their commitments and had curtailed development programmes. The commercial debt of developing countries must be further examined to determine the possibilities of the financial facilities needed to avert international financial disaster.

62. The Government of Jamaica subscribed to the guidelines for debt reorganization proposed by the Group of 77. It agreed that the guideline should contain elements which took into account the interests of both creditor and debtor countries. It believed that all major parties should be participants in any renegotiation exercise. However, it was imperative that the internal situation as well as development prospects should be considered in any such exercise. His Government considered that the need for immediate action and the need to establish guidelines for future debt-reorganization were closely linked. Decisions on the machinery for future debt reorganization and action for immediate relief must be taken concurrently.

63. The level of his Government's participation in the third part of the ninth special session was indicative of its support for Ministerial involvement to ensure that appropriate decisions were taken and that the crucial breakthrough was finally made.

64. Mr. DAMIS (Greece) said that his delegation associated itself with the statement made on behalf of Group B, but wished nevertheless to indicate briefly the position of the Greek Government on the question of the external debt of the developing countries. The two sessions of the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries, by bringing about a better understanding of the question and identifying the different positions, had facilitated the Board's task of achieving concrete and positive results. With regard to the outstanding official debt of the least developed countries, there appeared to be general agreement on the urgent need for measures to ease the burden of external indebtedness of those countries with the lowest per capita income. For that reason, his delegation welcomed the action taken by a number of developed countries in that direction.

65. Measures on behalf of the poorest countries could be taken without creating a dangerous precedent or encouraging non-observance of financial commitments by other developing countries. There was no need to emphasize the justification for such a course and its favourable impact on the development of that group of countries and on their balance- -payments situation.

66. The problems posed by the external indebtedness of the developing countries were not insoluble. Consequently, in view of the difficulties involved in a global approach to those problems due to the different forms of that indebtedness, the remedies should be suited to each individual case. Specific international financial action should be taken within the framework of the existing multilateral machinery to ensure debt servicing and improve its management, as well as to ease the balance-of-payments situation of the debtor developing countries. That machinery should also be used to find ways and means of contributing effectively towards satisfying the increased additional resource requirements of those countries.

67. At the last annual meeting of the International Monetary Fund, Professor Solotas had proposed the establishment of a multilateral scheme to assure and guarantee loans granted to the developing countries. The objective of such a scheme was to strengthen the international capital market and facilitate access to it by developing countries requiring financial resources. The transfer to the developing countries of additional resources would ensure their economic and social expansion and the industrialized countries would also benefit since there would be an increased demand from the developing countries for their capital goods. The result would be an increase in international trade with benefits for all countries in the present period of recession.

68. The Greek delegation considered that the proposals made by the European Economic Community and the United States of America at the Conference on International Economic Co-operation on features which could provide guidance for future operations relating to debt problems constituted a useful basis for the work to be done in that field. In its view, the Board, at its present session, should outline the course to be followed in determining the different possible ways of reorganizing the external indebtedness of the developing countries and the framework within which financial resources could be channelled towards those countries, regard being had to the requirements of economic interdependence and of the new international economic order.

The meeting rose at 1 p.m.

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TRADE AND DEVELOPMENT BOARD

Ninth Special Session (Third Part)

SUMMARY RECORD OF THE 492nd MEETING

held at the Palais des Nations, Geneva
on Wednesday, 8 March 1978, at 3.35 p.m.

President: Mr. ATHULATHMUDALI (Sri Lanka)

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PURSUANT TO CONFERENCE RESOLUTION 94 (IV), REVIEW OF ACTIONS CONCERNING THE INDEBTEDNESS OF DEVELOPING COUNTRIES, IN PARTICULAR, THE DISCERNING OF FEATURES WHICH COULD PROVIDE GUIDANCE IN OPERATIONS RELATING TO DEBT PROBLEMS (agenda item 2) (continued) (TD/B/670, TD/B/685, TD/B/690, TD/B/695, TD/AC.2/9)

CONSIDERATION OF PROPOSALS MADE BY DEVELOPING COUNTRIES AND OF OTHER VIEWS EXPRESSED AT THE FIRST AND SECOND SESSIONS OF THE INTERGOVERNMENTAL GROUP OF EXPERTS ON THE EXTERNAL INDEBTEDNESS OF DEVELOPING COUNTRIES AS REPORTED IN DOCUMENTS TD/B/670 AND TD/B/685 AND Add.1-3 (agenda item 3) (continued) (TD/B/670, TD/B/685 and Add.1-3, TD/B/690, TD/B/695, TD/L.124)

CONSIDERATION OF BOARD DECISION 149 (XVI) RELATING TO LEAST DEVELOPED, DEVELOPING ISLAND AND LAND-LOCKED DEVELOPING COUNTRIES (agenda item 4) (continued) (TD/B/681, TD/B/690, TD/B/695)

1. Mr. TARZI (Afghanistan) said that the economic future of a large sector of humanity depended on the outcome of the Board's present session: the developing, least developed and most seriously affected countries were at a crossroads in their history, and their future course would depend to a large extent on how the Board responded to their needs, hopes and aspirations. The economic and social, and at times even the political, implications of their debt problems, and the possible remedies, had been analysed in the many studies published by UNCTAD and related bodies. The time had come to develop an integrated and concerted programme of action and apply it without delay. The present session should enable Board members to consider the proposals made by the developing countries at the first and second sessions of the Intergovernmental Group of Experts and also to consider Board decision 149 (XVI) on the least developed, land-locked and island developing countries. The session was taking place at a crucial time in world history, since the debt problem threatened to become a chronic malaise which, if not arrested in time, would have disastrous consequences for the economic and social development of the developing countries, and in particular of the least developed, low per capita income countries.

2. The Conference on International Economic Co-operation had attacked the problem courageously, but it had been unsuccessful, probably because of a lack of political will, but also because no least developed country had been represented. International problems could not be solved in a restricted framework.

3. The indebtedness of the developing countries, and particularly that of the least developed and the most seriously affected countries, had rightly become a subject of increasing concern for the world community. The external debt of the developing countries, which had been approximately $40 billion in 1964, had now risen to $230 billion. If that figure was compared with the f.o.b. export figure for the developing countries, which, according to UNCTAD forecasts, would be $137 billion in 1970, it would be noted that the debt servicing of those countries would absorb 25 per cent of their export earnings for the current year. That would result in reverse flows, which would mean a massive flow of real resources from the developing countries in the form of interest, amortization and profits. That movement had begun in the 1960s, when the provision of aid had been much greater and when debt servicing had represented $8 billion, which had left a net transfer of little more than $5 billion.

4. According to studies by the UNCTAD secretariat, about 11 per cent of developing countries' export earnings in 1973 had flowed back from those countries in the form of amortization and interest. Those irrefutable facts, which were mainly the consequence of a growing deterioration in the terms of trade between the developing and the industrialized countries, had been acknowledged in General Assembly resolutions 3201 (S-VI), 3202 (S-VI) and 3362 (S-VII) and particularly in Conference resolutions 94 (IV) and 96 (IV), which had recommended, inter alia, that the public debt of the developing, least developed and most seriously affected countries should be cancelled and converted into grants.

5. It was necessary to bear in mind that the capacity to repay loans depended essentially on the productivity of investment. Grants were an absolute necessity for the least developed countries and the most seriously affected countries, in which most investments were of low or uncertain productivity and were often used for projects which could neither expand exports nor substitute for imports. Furthermore, unforeseen changes in the structure of external demand, the competitiveness of substitutes, new restrictions imposed by developed importing countries or unforeseen expansion in world supply could render a project non-viable.

6. As a land-locked country, Afghanistan was doubly disadvantaged, since its debt-servicing and balance-of-payments problems were further aggravated by lack of access to the sea and consequently by grossly inflated transport, transit and transhipment costs, which, since the late 1960s, had placed it in the front rank of the least developed and most seriously affected countries. Debt-servicing amounted to over 25 per cent of its export earnings; the total outstanding external indebtedness amounted to over $600 million and was expected to reach $1 billion in 1980.

7. His Government therefore wished to express its appreciation to Canada, Sweden, the Netherlands, Switzerland and all other countries which had already taken positive steps to convert into grants certain loans made to the least developed and most seriously affected countries. Following their example, the other developed countries should realize that the debt problem of developing countries could not be solved by the traditional ad hoc approach. They should consider debt relief or a legitimate form of aid and should increase the quantity and improve the quality of their loans. Furthermore, debt relief ought to be timely, since to delay remedial action until the debt crisis had reached really serious proportions greatly prejudiced the growth and economic stability of the developing, and particularly of the least developed, countries.

8. It was well known that, with a few exceptions, the modest target of 0.7 per cent of gross national product for official development assistance (ODA), to which the developed countries had reaffirmed their commitment at the seventh special session of the General Assembly, had not been reached. The steady decline in the net transfer of resources was particularly disturbing in view of its catastrophic effects on the balance of payments and external indebtedness of the least developed and most seriously affected countries.

9. Responsibility for the present crisis could not be imputed to mismanagement of the economy, as some Board members had hinted. Debt crises were, in fact, often preceded by extreme pressure on the balance of payments, by a relatively high rate of inflation, by considerable deficits in State budgets, by a flight of capital and, in certain cases, by heavy foreign borrowing on hard terms. These trends created an erroneous impression of mismanagement of the economy, since it was easy, in such circumstances, to mistake the symptoms of the problem for its substance. That diagnostic error could have disastrous consequences for the victim countries.

10. Projects financed by foreign capital could obviously exert heavy pressure on the balance of payments of the developing and least developed countries long before such projects began to help those countries to increase their export earnings or reduce their import costs. It was also evident that it was not the size or even the rate of debt servicing that was important, but rather the proportion of foreign exchange that it absorbed. Failure to recognize those two fundamental points would result in an ever-increasing outflow of real resources from the developing to the developed countries; that would not only make the 0.7 per cent and 1 per cent targets more difficult to attain but would also render them inadequate in relation to the prices resulting from the increased debt of the developing countries. In addition, therefore, as partial and palliative measures such as moratoria and debt reschedulings, more effective forms of debt relief should be studied and formulated.

11. The capital made available should be in line with the productivity of investment and with the ability of the countries concerned to use the proceeds in order to increase their foreign exchange resources. The establishment of a link between special drawing rights (SDRs) and development financing was another important area in which results had failed to meet expectations. Among other possible long-term measures, the establishment of an interest rebate fund to reduce, by compensatory payments, the rate of interest on loans and credits, which were of primary importance for the economic expansion of the developing countries, might be envisaged. In that connexion, he pointed out that, in resolution 3029 (XXVII), the General Assembly had requested the Board to study, inter alia, the desirability and feasibility of the establishment of a special fund for the financing, and/or compensation of the interest on the external debt of the developing countries.

12. The debt problem would tend to diminish to the extent to which new machinery was established for effecting a larger and continuing transfer of resources to the developing countries on reasonable and less onerous terms. Among the long-term measures envisaged for that purpose, the establishment of a link between SDRs and development financing would be particularly effective now that the world liquidity situation was more favourable, since it would enable developing countries to increase their liquidity without any surrender of their real resources. The effectiveness of such a link had been recognized at least since the annual meeting of the International Monetary Fund (IMF) held in 1970.

13. In conformity with the recommendation made by the Conference at its first session, it might also be interesting to study the possibility of repayment of loans by developing countries in their national currencies through bilateral or regional

arrangements, payment unions, credit insurance or other appropriate measures. The IMF could play a useful role in that connexion, either jointly or in consultation with the World Bank. Furthermore, interest rates for development loans made to developing countries, and particularly for those made to the least developed countries, should take the repayment capacity of the borrowing country into account. Loans for the purchase of capital equipment and for project assistance should not be tied to purchases in donor countries.

14. Time was of vital importance for the solution of the debt problem; the international community could not allow itself to become lost in academic discussion while the economic and social development of a large section of humanity was at stake. In the context of new economic relations based on justice and co-operation, immediate and effective debt relief for the least developed and the most seriously affected countries, as provided for in Conference resolutions 94 (IV) and 98 (IV), had become imperative. Afghanistan hoped that the current session would not disappoint the hopes of the developing countries, which were prepared to do their utmost to solve the fundamental debt problem in the light of the new international economic order.

15. Mr. ADENIJI (Nigeria) said that the historic character of the present session was due less to its ministerial level than to the importance of the subject to be tackled. Finance, and consequently the problem of the external indebtedness of the developing countries, was the principal obstacle in the way of the development of those countries and the establishment of a new international economic order. It was therefore right that a ministerial session of the Board should have been convened to deal with the problem at a high political level.

16. It appeared that in recent years a deliberate attempt had been orchestrated not only to distort the nature of the problem, but also to misinterpret the proposals for its solution put forward by the developing countries. The result had been a certain confusion which had affected both the electorate and the elected in the major creditor countries and had led to off-hand treatment of the proposals of the developing countries. That had been the reason for the failure of the fourth session of the Conference and of the North-South dialogue to come to grips with the debt problem, and it also explained the almost tutorial approach adopted by the Intergovernmental Group of Experts and at the part of the Board's session held in January 1978.

17. Meanwhile, the burden of debt had grown heavier, particularly for those countries least able to bear it, and the economic outlook was daily becoming grimmer for the poorest countries, which were sacrificing their development in order to meet debt obligations. Those responsible for taking decisions at the present ministerial session would have to assume their responsibilities, face the situation as it really was and decide on effective measures to alleviate the crushing debt of the developing countries.

18. The disruption of the world economy, referred to by the representative of Zaire in his statement setting out the position of the Group of 77 on the problem of indebtedness, manifested itself in various forms in the developed and in the developing countries. Inflation and recession in the developed countries had resulted in a sharp reduction of the export earnings of the developing countries which had been obliged to reduce their imports owing to lack of foreign exchange, largely absorbed by debt servicing, and to continued borrowing on very hard terms in order to maintain the barest minimum rate of growth. His delegation stressed the need, in studying the problem, for political vision and economic realism which would lead to a viable and lasting solution. In its opinion, the debt problem of the developing countries should be seen in its proper context, in other words in relation to the development objectives of the new international economic order, improvement of the social and economic well-being of the majority of mankind, who lived in the third world, and the consistent of the international community to support and not to retard, the efforts of the developing countries to achieve those objectives.

19. The developing countries had had to extend themselves, severally and collectively, to the fullest limit in the face of severe constraints imposed on them by the international economic relationships which had hitherto existed. The fact that debt servicing had swallowed up nearly all the foreign exchange resources of the least developed countries had had serious implications for the execution of their economic and social development programmes and therefore called for urgent and effective remedial action in the context of international economic co-operation.

20. It could not be said that the developing world was lacking either in individual or collective initiative in the context of economic co-operation and collective self-reliance among all developing countries, whether at the subregional, regional or inter-regional level. Such action required the support of the international community, particularly of the developed countries in keeping with the commitments into which they had entered. In fulfilling those commitments, the developed countries should appreciate the continuous difficulties being created for developing countries by their economic policies and practices, rather than seek to make others responsible for the soaring debt of the developing countries.

21. It was obvious that the increasing debt burden of the developing countries was a consequence of the adverse effects of recession and inflation in the industrialized countries coupled with their protectionist policies. The terms of trade of the developing countries had deteriorated sharply, especially in the last four years; developing countries of the African continent had been the hardest hit, since the terms of trade of the region had fallen from 97 in 1974 to 93 in 1976, a drop of nearly 10 per cent. Meanwhile, the effect of uncontrolled inflation and currency instability in the developed countries had continued to whittle down drastically the real value of the export earnings of all developing countries without exception.

22. It was perhaps too much to hope that the Board would, given the time at its disposal, be able to solve all the problems of debt during the session, but it might not be too much to expect that it would solve some of them, in particular the two most urgent ones. The first problem was the situation of the least developed countries, which called for immediate action. The official debt of those countries should be totally written off. The initiative taken along those lines by Sweden, the Netherlands, Switzerland and Canada had shown that that part of the proposal of the Group of 77 was not utopian and that it was within reach of all creditor countries. The second problem was the urgent need to re-organize debt operations so that they did not, as was their tendency at present, infringe the sovereignty of the country concerned nor disrupt its development programme.

23. Mr. RAHMAN (Bangladesh) said that his delegation had participated actively in the formulation of proposals put forward by the Group of 77 for dealing with the important question of the indebtedness of developing countries. The difficulties that many of those countries, particularly the least developed among them, were facing to maintain and accelerate their development process despite the crushing burden of their external indebtedness were well known, as was the nature of the various solutions. What was needed was recognition by the developed countries of the gravity of the situation and a readiness to consider seriously the proposals made by the Group of 77.

24. Bangladesh was one of the least developed countries. In addition to the difficulties experienced by all developing countries, it had many other problems: over-population, scarcity of natural resources and an inadequate infrastructure. Those structural problems were further compounded by the present world trade situation and, in particular, by the events of the early part of the decade, which had created an extremely critical balance-of-payments position and had led to the slowing down and even diversion of his country's development endeavours. Like many other countries in the 'least developed' category, Bangladesh had failed to achieve the economic growth rate set in the International Development Strategy. The country's debt servicing burden represented 20 per cent of its total current export earnings and was likely to grow worse when the amortization of various earlier loans fell due in the mid-1980s, which would imply a serious threat to its economic growth. His delegation therefore hoped that the present session at ministerial level would lead to mutually acceptable solutions and that the developed countries would approach the question of debt not from a strictly financial angle but would have regard also to the sufferings of peoples who were struggling to improve their lot.

25. The Group of 77 had proposed that the outstanding official debts of the least developed countries, of the landlocked countries and of the island developing countries should either be cancelled or be converted into grants and that the debts of the other most severely affected countries should receive the same treatment or, as a minimum, be recomputed on International Development Association (IDA) terms. His delegation strongly supported those proposals and urged the Board to give due consideration to them. In view of the specific economic problems faced by the least developed countries, the international community had already decided, in Conference resolution 93 (IV), that all

bilateral official development assistance should be provided essentially in the form of grants. It was now simply a question of applying the present terms and conditions of aid to past loans.

26. The recent Meeting of Multilateral and Bilateral Financial and Technical Assistance Institutions with Representatives of the Least Developed Countries had recommended in particular (TD/B/601, Part Two) that donors, in co-operation with the least developed countries, should actively seek ways to increase the flow of official development assistance to those countries and, if possible, to double it, which would assist the least developed countries to achieve the minimum growth target of 3.5 per cent per capita per year in real terms set in the International Development Strategy. His delegation sincerely hoped that that target, unanimously recommended by the international community, would be achieved by 1980.

27. That meeting had adopted many other important recommendations including an increased proportion of local cost financing, elimination of delays in disbursement, consideration of longer-term benefits of economic assistance, rather than an immediate return from projects or programmes, and untying of economic assistance. The developed countries should take urgent measures to give effect to those recommendations which would give the least developed countries an opportunity to break out of the vicious circle of economic stagnation.

28. His delegation also attached great importance to future debt reorganization and to solution of the problem of the commercial debts of the developing countries concerned. It hoped that the Board would accept the proposals of the Group of 77 for the establishment of guidelines for future debt operations and for dealing with the problems of commercial debts.

29. The unending debates and dialogues at successive sessions of the Conference had been concerned essentially with the establishment of the new international economic order, of which the basic element was the elimination of the disparity in living conditions between the one third or less of the world's population forming the "haves" and the two thirds or more constituting the "have-nots". Ministers should combine their efforts to abolish that inequality and to achieve positive results before the fifth session of the Conference, so that successive sessions did not end in institutionalizing the despair, frustration and anger of the world's vast majority of the underprivileged, victims of inequalities inherent in the institutional arrangements in international trade and commerce and monetary systems. A radical transformation of such inequitable institutional arrangements was needed and it was not sufficient merely to tinker with them by periodic ad hoc adjustment.

30. Mr. COOPER (United States of America) said that his country attached great importance to the maintenance of a constructive dialogue with the developing countries. It shared the common goal of sustained prosperity and development which would enhance the quality of life among all peoples. In particular, it recognized the special problems of the developing nations and it therefore took very seriously its responsibility to co-operate with those nations in order to improve and strengthen the international economic system in ways that increased their participation in the system and the benefits they derived from it.

31. In the past few years, world-wide inflation and recession, aggravated by the rise in the price of oil, had made balance-of-payments management very difficult for most oil-importing countries. Strain had been placed on the international economy and had increased the need for greater attention on the part of Governments and international financial institutions. Despite the magnitude of the problems, the major countries had co-operated in maintaining the liberal trade and payments system. They had taken steps to adjust their economies to the new situation and to finance payments deficits while necessary, longer-term adjustments were being made. They had also adopted numerous measures to bolster the international system and, in particular, to alleviate some of the problems faced by developing countries. Such measures included liberalization of the IMF compensatory financing facility to stabilize export earnings; use of the proceeds from the sale of IMF gold for to set up a trust fund for the poorest countries; expansion of IMF quotas and drawing rights to help members to cope with balance-of-payments problems, and an increase in the Fund's resources through the oil facility and the proposed supplementary financing (Witteveen) facility, with the aim of ensuring adequate official financing to encourage countries experiencing severe payments problems to adopt orderly corrective measures. In addition, a commitment of $7.6 billion had been made for the fifth replenishment of IDA, commodity agreements had been negotiated to stabilize the coffee and sugar markets, and the International Fund for Agricultural Development (IFAD) had been established to help the poorest countries improve their ability to meet their food needs.

32. Furthermore, at the Conference on International Economic Co-operation, the industrialized countries had agreed to increase ODA substantially, to contribute to a special action programme to help the poorest countries, to support a general capital increase for the World Bank that would permit real increases in lending, with an increased emphasis on energy development, and to negotiate a common fund for commodities.

33. The world economy was recovering from the 1974-1975 recession, but progress had been slower than expected. While the external payments problems encountered by most countries since 1973 had in the main become more manageable, individual countries, both developed and developing, were still grappling with large payments deficits, slow growth and high rates of unemployment and inflation. The magnitude, duration and geographical extent of those problems reflected the seriousness of the shocks suffered by the world economy. At the same time, the ability of countries to adjust to those shocks and to finance their external payments deficits in the interim bore witness to the resilience of the world economic system.

34. It seemed that the problem of large payments imbalances would last at least until the end of the decade. Hence, a period of prolonged economic adjustment and structural change still had to be faced, a period in which it would be essential to achieve close economic co-operation on the primary issues affecting the economic well-being of both developed and developing countries, such as the achievement of non-inflationary expansion, a balance between supply and demand in the energy sector and the maintenance of an open trading system. Those factors in proper management of the world economy were the sine qua non for economic progress both in the industrialized world and in the developing world.

35. In order to cushion their economies against the shocks to the world economy, the developing countries as a whole - and also some developed countries - had borrowed on an unprecedented scale. The debts in question were now falling due and many countries were concerned about their ability to service them.

36. In evaluating the implications of external indebtedness, however, it was important to view the present situation in perspective. A rise in indebtedness did not necessarily signify an increase in debt servicing problems. The increases in nominal debt were far less dramatic if allowance was made for the growth in real output and trade in the world economy and for inflation. The export earnings of developing countries which were not members of the Organization of Petroleum Exporting Countries (OPEC) had risen by 85 per cent between 1973 and 1977, but service payments on public and publicly-guaranteed debt had risen by a lesser amount and, despite the substantial increase in debt, the debt service ratio had changed little over that period as the reserves of the countries in question had risen by $20 billion, reaching a level equivalent to nearly four months' coverage of imports. Moreover, although some countries were encountering acute problems, the pattern of external indebtedness was broadly in line with the debt servicing capacity of individual countries. Most of the new debt incurred by the poorer countries had, for example, been highly concessional in nature. The bulk of the debt to private lenders was concentrated in a dozen or so rapidly growing developing countries which had relatively high per capita incomes and fairly diversified economies.

37. The current debt situation of the developing countries was not unmanageable but it did emphasize the importance of maintaining a healthy international economy; otherwise, the debt could become crushing. The situation also highlighted the need for the international community to continue to respond effectively to individual debt servicing problems which called for solutions suited to the countries concerned. In that connexion, the United States and the European Economic Community had submitted a proposal which dealt realistically with the difficulties now faced by the developing countries. The proposal set out guidelines for creditor club operations with the object of ensuring equitable and effective solutions to severe debt problems. It also suggested procedures for providing additional external support for low-income developing countries experiencing structural balance-of-payments problems, of which debt was an element, that would prejudice their development prospects.

38. The United States was particularly concerned about the poorest peoples of the world. Poverty existed in many countries other than the 30 countries designated by the United Nations as the least developed, but the lack of resources made it particularly difficult for those very poor countries to undertake effective development programmes. As the Conference had recognized at its fourth session, the international community should take special measures, in co-operation with the least developed countries themselves. The work of the recent Meeting of Multilateral and Bilateral Financial Technical Assistance Institutions with Representatives of the Least Developed Countries had been a significant step forward in dealing with the special problems of the least developed countries on a co-ordinated basis. The recommendations of the Meeting were concerned with increasing the flow of development assistance to the least developed countries,

expanding their capacity to utilize aid, improving aid administration and management and strengthening the co-ordination of external aid. Those practical and constructive steps should accelerate the flow of development assistance to the least developed countries.

39. Another encouraging initiative on behalf of those countries was the Club du Sahel, which included six of the least developed countries among the eight members from the region. The aim of that multi-donor project was to help the Sahel countries achieve self-sufficiency in food and self-sustaining growth in order to cope with harsh environmental conditions, more particularly drought. As a member of the Club, his country was planning to increase its contribution to the Sahel Development Programme from $50 million in fiscal year 1978 to $90 million in the fiscal year 1979.

40. Since January 1973, the need for special measures in favour of the least developed countries had become a central feature of United States bilateral assistance policy. During the current fiscal year, his country was planning to provide, through the Agency for International Development (AID), bilateral assistance in the amount of $192 million to 21 least developed countries. If Congress approved AID's request, the assistance would be increased by 38 per cent in fiscal year 1979. Moreover, it would, in principle, be provided entirely in the form of grants. Twenty-three of the least developed countries also received food aid which, in 1978, should amount to an additional $155 million. Under recently enacted legislation, those countries were being encouraged, instead of making repayments, to assign the sales proceeds to mutually agreed development programmes designed to enhance the quality of life of the poor. Other United States programmes, such as the Peace Corps and the Overseas Private Investment Corporation, were also of benefit to the least developed countries. In the multilateral trade negotiations, the United States was seeking to improve market access for products which those countries were now exporting or would be able to export as their economies developed. The tariff reduction offer recently made by the United States in the course of the negotiations was a practical step towards meeting those objectives.

41. On the subject of debt, it had to be recognized that, despite considerable efforts, substantial differences of opinion still existed with regard to both the nature of the problem and the types of measures now required. It was clear, however, that there was a common desire to work together to settle that problem for the good of all. In that spirit, he urged Ministers to consider closely the proposal submitted by the United States and the European Economic Community, for it had considerable merit.

42. The international community agreed on the urgency of a response to the special problems of the least developed countries. Significant progress had been made in alleviating the difficulties, but the needs of those countries were still substantial. He hoped that it would be possible for the Board to reaffirm the commitments to those countries made at the fourth session of the Conference. Renewed commitments and acceptance of the joint proposal of the United States and the European Economic Community would do much to enhance North-South relations.

43. Mr. KAZI (Pakistan) noted with satisfaction the presence of so many Ministers, both from developed and from developing countries, which was evidence of the importance they attached to the meeting and of their recognition of the fact that the external indebtedness of developing countries was a matter which called for urgent decisions at a high political level.

44. He welcomed the constructive statements made by a number of countries and, in particular, China's support for the proposals of the Group of 77.

45. His delegation fully endorsed the statement made by the representative of Zaire on behalf of the Group of 77.

46. The world economic and financial situation was still far from satisfactory and its adverse consequences continued to fall most heavily on the poorest of the developing countries. Economic growth rates were persistently low, inflation was still widespread and the external sector of the developing countries remained a source of great concern. It was becoming increasingly difficult for them to meet their debt servicing obligations and, at the same time, maintain the volume of imports required to sustain the pace of development and, hence, from the social standpoint. The international community must, as a matter of urgency, resolve the debt problem in the common interest of both creditor and debtor countries.

47. The proposals of the Group of 77 had clearly defined two areas of action. The first dealt with immediate debt relief for the least developed, developing island and land-locked developing countries and other most seriously affected countries. The second proposal dealt with guidelines for future debt reorganization.

48. The present debt burden of the developing countries could be attributed largely to the onerous terms on which credits had been granted to them in the past, at a time when a more optimistic view had been taken of their economic prospects. The situation had now deteriorated as a result of the recent economic crisis. With the worsening of the terms of trade and protectionist measures that affected their exports, it was more and more difficult for the least developed and the most seriously affected countries to service the debts outstanding. That change in the situation had been recognized by many developed countries which had modified their aid policies and, in certain cases, had started to provide grants instead of loans and to soften the terms of the loans they were now making. In the circumstances, it was reasonable to expect that those countries would also be willing to revise the terms of earlier official loans which had not yet been repaid. Such a way of looking at debt relief made it unnecessary to develop the controversy over the generalized relief and the case-by-case approach. The developed countries were now extending aid to the developing countries on softer terms. Therefore, why should any further case-by-case study be necessary in order to give developing countries the benefit of revised terms for loans outstanding? His delegation felt that one of the most effective ways of supporting the development effort of the low-income countries was to provide them with meaningful and substantial relief from the burden of their external debt, which was seriously hampering their economic development.

49. It was sometimes argued that debt relief for the most seriously affected (MSA) countries would be harmful to their creditworthiness. The very fact that the MSA countries had already been identified as countries with particularly acute external financing difficulties indicated that their debt problem had to be resolved in a special way. Across-the-board measures to reduce their indebtedness would in fact improve their creditworthiness.

50. An increase in the transfer of resources would not by itself be an adequate solution, particularly in the present predicament of the least developed and most seriously affected countries, since that predicament required emergency action. Debt relief was necessary because it had an immediate impact and avoided the time lag between commitment and disbursement. It was untied and was available in its entirety. Moreover, in order to compensate for the absence of debt relief, the increased transfers of ODA had to be "additional". The concept of "additionality" was extremely difficult to apply in practice, especially when the donor countries were still a long way from attaining the 0.7 per cent target.

51. Adoption by the donors of the measures suggested for official debts outstanding would demonstrate that assistance from the rich countries to the poor countries was not governed purely by the commercial morality of an ordinary creditor-debtor relationship but that it was based on a nobler philosophy and was viewed as a process in the establishment of a more just and equitable international economic order, a process which, in the long term, would be beneficial to mankind as a whole. In that connexion, he welcomed the debt relief already granted by Canada, the Netherlands, Sweden and Switzerland, and the very constructive memorandum submitted by the Swedish Government.

52. His delegation also attached great importance to the formulation of guidelines for future debt reorganization. Immediate relief on official debts outstanding would alleviate the present difficulties of the recipient countries, but it was essential to ensure that, as far as possible, such difficulties were avoided in the future. The question of guidelines merited further exploration in a search for areas of convergence between the proposals of the Group of 77 and the joint proposals of the United States and the European Economic Community. His delegation welcomed the establishment of a working group to examine the problem and hoped that it would be able to work out a clear direction for further detailed negotiations on the procedures and institutional arrangements required for future debt operations, in a way which would meet the legitimate interests of creditors and the development objectives of borrowing countries.

53. Mr. DAVE (India) stressed that the ministerial session was not a confrontation of groups of creditors and debtors, but an assembly at the senior political level of responsible members of the international community seeking, in a spirit of mutual understanding and co-operation, resolution of a vital problem of global economic significance. Global development was interdependent in the same way that world prosperity was indivisible, as had been borne out by the recent happenings even between the most affluent economic groups of the world community.

54. It was recognized that that community had not yet recovered from the traumatic effect of international economic events of recent years: the global economic disequilibrium characterized by persistent worldwide inflation, the sharp rise in the price of imports of crucial importance to the developing countries - whose growth rates had remained at unacceptably low levels - combined with a prolonged economic slowdown in the major industrialized countries provided the setting in which the ministerial session was tackling a problem whose solution would improve the economic climate.

55. It would be most unfortunate if, as some recent trends indicated, each country and each economic group and their associates were to take refuge in direct or concealed protectionist measures. It was heartening to observe that world leaders had consistently rejected protectionism, but it was undeniable that there had been some surrender to protectionist pressures which had caused great anxiety. Wise statesmanship and enlightened self-interest demanded measures that would promote the economic convergence of both the developed and developing countries, even if some sacrifices had to be made, provided that the sacrifices contributed not only to the economic development of the poorest countries, but also to the expansion of global demand and the return of the world economy to dynamic growth.

56. It was in that perspective that the problem of the developing countries with low per capita incomes had to be viewed. Too narrow a view should not be taken of the economic situation and prospects of those countries and judgement should not be based on short-term, and often quite superficial, macro-economic indicators. In normal circumstances, those indicators provided a fairly reliable picture of the health of the economy, particularly when applied to the highly integrated and sophisticated systems of the developed market economy countries.

57. However, when such indicators were applied to a low-income developing country such as India, suffering from fundamental structural imbalances and highly vulnerable and sensitive to a rather unfavourable international economic environment, whose annual agricultural output was completely dependent on a single season's rainfall, the superficiality of the macro indicators became only too obvious. World inflation had forced India to take severe measures to contain domestic expenditure and to introduce harsh financial discipline. The country had had to forego imports not only of essential consumer goods but also of several important raw materials, spare parts and machinery for its industries. The result had been an economic slowdown, the effects of which would be felt for some years to come, and the development process would be severely hampered if the volume of investment was insufficient when economic activity picked up.

58. Low-income developing countries struggling with structural disabilities needed the immediate transfer of substantial real resources in a flexible form and assurance that such assistance would be forthcoming for a fairly long period of time. Debt relief should not be limited to assisting debtor countries on the brink of default. It was only a sustained and long-term transfer of real resources in the necessary flexible form that would change the situation to the benefit of all. The policy measures advocated by the Group of 77 offered the most appropriate and timely steps for achieving that objective.

Sweden had stressed at the preceding meeting of the Board that his country's proposal to cancel the ODA debts of the poorest countries was only one of the means of providing debt relief. The Secretary-General of UNCTAD had indicated, in his opening statement, that the solution might lie in bringing the terms of previous official bilateral assistance in line with the current norms applied by the countries members of the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD) for the provision of assistance to the least developed countries. In this connexion, his delegation had been encouraged by the statements made by some of the donor countries, which seemed prepared to envisage cancellation, or at least the ex-post correction of the terms of ODA debts contracted by the poorest developing countries. It was to be hoped that the ministerial meeting would adopt a formal decision to that effect.

65. With regard to the operation of private capital markets and the possible role of official financial intermediation, the Secretary General of UNCTAD had suggested that the matter should remain on the agenda of the Board for further consideration, including specific recommendations that might be made at the present session. As a developing country, Israel, which had had some experience of the need to ensure access to financial markets and other sources of private capital, had long recognized the importance of that question for developing countries. The Israeli Government, in a desire to find new approaches, had made two specific proposals.

66. At the first session of the Conference, Israel had submitted the "Horowitz proposal" the idea of the first Governor of the Bank of Israel. That proposal called for a system of government guarantees and an interest equalization fund, which would permit the borrowing of funds on capital markets on commercial terms, the funds raised being lent to the developing countries on soft terms. It was obvious that the idea was still remarkably valid.

67. Subsequently, at the annual meeting of the Board of Governors of the World Bank Group, in 1977, the present Governor of the Bank of Israel had suggested the introduction of a co-financing scheme under which the World Bank would evaluate development projects, even if they exceeded its own financial capabilities. By its supervisory role both in the implementation of projects and in loan servicing, the Bank would pave the way for making commercial co-financing available on capital markets. Furthermore, the loans co-financed by the Bank and by private financial institutions would carry a "cross-default" clause. Thus, the World Bank would provide primarily analytical and supervisory services, with minimal funding. International markets would provide the bulk of the capital needed, and the developing countries to which the World Bank had had to limit the flow of resources would be able to obtain additional resources that would facilitate their economic development.

68. His delegation would furnish all necessary details on both proposals during the deliberations. In the meantime, it hoped that the present session would produce positive results.

69. Mr. BLOKH (Togo) said that the Board had met once again at a level where there should be no lack of political will to take decisions, to consider a matter that formed one of the issues of the new international economic order: the question of indebtedness. The developing countries hoped that they would be able at last to deal with the developed countries as partners in establishing the new world where justice and therefore peace would reign.

70. The representative of Cairo had covered in his statement the pertinent aspects of the debt problem of the developing countries. After reviewing the problems of indebtedness which were mortgaging the development of those countries, the representative of Cairo had proposed solutions for debt relief that would allow the countries concerned to increase their investments and thus import more from the developed countries. That would serve as a catalyst to stimulate the production of the developed countries which was at present stagnating to some extent.

71. It was therefore clear that, in asking for debt relief, the developing countries were inspired only by a desire to participate in the search for solutions that could resolve the international economic crisis which had in fact originated in the developing countries. They did not wish to give the impression of wanting to sacrifice certain interests to the advantage of certain others, but rather to explain once again, without any possibility of misunderstanding, that the interests of all were so closely linked that if they were not dealt with as a whole the world's very existence would inevitably be threatened.

72. The world economic crisis, which was leading the developing countries to bleed themselves white in order to repay their debts, could also lead them to an act of despair. For nearly ten years those countries had been hoping that one day the developed countries would observe an honest partnership, keep their promises and implement the relevant resolutions and decisions, in particular the Charter of Economic Rights and Duties of States and the new international economic order. But the developed countries still wished to keep the developing countries in their former condition and refused to accept the development of mankind's evolution towards the definition and establishment of a new world. The world was thus divided in two: into the haves and the have-nots, the developed countries and the developing countries, according to criteria established, ironically, by the developed countries themselves.

73. It was true that the developed countries had proposed solutions designed to help the developing countries, but much remained to be done and the poor countries would have every reason to rebel against the rich countries which were making them aware of their poverty while denying them the means to become rich. The various negotiations that had taken place within the United Nations, at the Conference on International Economic Co-operation and elsewhere had not yet brought the developing countries the gleam of hope they were awaiting. At the present Ministerial meeting, therefore, the developed countries should give practical consideration to means of enabling the developing countries to emerge from their present state and bringing them towards the new international economic order.

74. It was worth recalling some of the basic principles of the new economic order, namely that prosperity was indivisible, that economic development was an international responsibility if only because of certain historical factors of which some countries took advantage so as to refrain from any positive action to promote the development of the developing countries, and that the concept of development should have a broader, more realistic and more human dimension and should cover different economic sectors. The new economic order implied that there should be coherent and dynamic economic collaboration aimed at solving the problems of world trade and raw materials, improving the terms of trade and encouraging industrialization and the transfer of technology.

75. He stressed the relationship of cause and effect between all the factors affecting the development of developing countries and the establishment of the new international economic order. If a country was to develop, it had to industrialize; to industrialize it had to have financial and technical resources; and to have those resources it had to buy and sell; to do that it had to produce or to have sold. In the present circumstances that meant, in the case of the developing countries, to produce or to sell commodities and raw materials, since, for semi-manufactures, they had to face the competition of the developed countries and had to submit to conditions of market access such that many of them found themselves with surpluses, despite the commitments by developed countries to open their markets to such goods. Only the commodities that were indispensable to the industries of developed countries were able to penetrate their markets without difficulty. However, the prices of those products were so low that the earnings from their export were not sufficient to cover the cost of importing the manufactures necessary for development. It was the eternal problem of the deterioration of the terms of trade which prevented the developing countries from becoming industrialized and from establishing the social and economic infrastructures they needed. As a consequence they therefore had to seek external assistance and, consequently, the cancellation of both official and private debts.

76. Thus the basic cause of the indebtedness was the deterioration of the terms of trade. If the developing countries obtained better prices for their commodities or for their semi-manufactures, they would be able to meet their development costs and would not be obliged to accumulate debts to an extent that was causing concern for some of their investments. It was therefore essential to review the prices of commodities.

77. The problem of the indebtedness of developing countries should be seen in the overall context of their development and should not be considered as an inherent feature. In incurring debts in order to develop, the developing countries were merely seeking to satisfy the legitimate aspirations of their peoples under the conditions of the new international economic order, whose long-term objective was three-fold: to accelerate the economic and social progress of the developing countries in the interest of the development of the world economy as a whole; to abolish the injustice and the inequality from which a large part of mankind was suffering; and to bridge the huge gap separating developing from developed countries. It was to achieve those ends that the developing countries were obliged to make large investments and to call on outside help, with all the attendant consequences.

78. The developing countries had thought that they would be able to repay their debts with their export earnings. But, those earnings having ceased to exist, they were compelled to resort to other sources of financing. As a number of delegations had pointed out, the terms of loans had become increasingly onerous, not to mention the loss in value of the initial amounts of loans due to inflation. As the world crisis had further aggravated the situation of the developing countries, a global solution must now be found to help those countries to stimulate and accelerate their growth.

79. As a first measure, it was necessary to improve the present financial situation of the developing countries. Many of them had already taken measures at the national level. His own country had sought to improve its situation by financial reforms, by encouraging exports, by economy imports, by improving the balance of invisibles and by implementing its third development plan. The lenders, for their part, must take steps to encourage the developing countries in their efforts. But the protectionist trend in the developed countries tended to nullify much of what was done at the national level, and many developing countries were unable to improve their financial situation because of the difficulty of marketing their products and because of their crushing burden of debt, which affected not only their budget but also their balance of payments, as it absorbed up to a fifth of their total export earnings. Transfer of profits and interest on private investment had to be added to the amount of the official debt.

80. In such a serious situation, the most urgent matters had to be dealt with first. Certain States which were aware of the problem and of the need for international solidarity had converted into grants the loans they had made to some developing countries. Togo hoped that that example would be followed by other countries and would be extended to a larger number of developing countries. Another solution would be to grant debt relief to the developing countries on simple, uniform and generous conditions which would cover all official debts or those guaranteed by the State, including loans by international institutions such as the World Bank, IDF, the International Finance Corporation and the IDA. Private debt could be the subject of negotiation between the parties with the aim of reaching a reasonable agreement. Loans which various countries obtained under the authority of an international body should be consolidated in one, two or three loans on specially favourable conditions, for example a rate of interest of 2 per cent, a repayment period of 45 years and a moratorium of 10 years. In that way the developing countries would have the benefit of considerable additional aid which they could use for new investment, while the creditor States, in helping their debtors, would have an assurance that their loan capital would be fully repaid.

81. However, it was of no use arranging favourable terms of financing if the resources thus obtained were absorbed by crippling debt service. It was therefore important, when applying new conditions for future financing, to resolve the problem of old debts. In that connexion it was worth noting that the Council of Ministers of the Organization of African Unity had recently adopted a resolution requesting the Governments of all developed countries to accept, at the ministerial session of the Trade and Development Board, the proposals of the developing countries concerning debt relief measures.

82. The solutions to the problem of indebtedness should be effective and should fit into the overall planning for the establishment of the new international economic order. They should also be such as to avoid all possible obstacles, in particular the revival of protectionism. If the present protectionist tendency continued, the developing countries would have much less prospect of accelerating their development and all hope of establishing any new order would be lost.

83. The developing countries, as partners of the developed countries, considered that the present deliberations were an entirely suitable framework for taking

decisions aimed at solving the debt problem. They constituted, in fact, a unique opportunity, and the degree of understanding which would prevail in the future relations between developed and developing countries would largely depend on the decisions to be taken.

84. Mrs. OESTERGAARD (Denmark), speaking on behalf of the United States, the countries members of the European Economic Community, Australia, Austria, Canada, Japan and Switzerland, read out a draft resolution submitted by those countries (TD/B/L.498).

85. The PRESIDENT said that the draft resolution would be referred to the Working Group which would report its conclusions to the Committee of the Whole.

The meeting rose at 5.55 p.m.

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President: Mr. [illegible] (Iran)

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(a) Adoption of the agenda and organization of the work of the session (continued)

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Consideration of proposals made by developing countries and of other views expressed at the first and second sessions of the Intergovernmental Group of Experts on the External Indebtedness of Developing Countries as reported in document TD/B/370 and TD/B/C.3/35 and Add.1-3 (agenda item 3) (continued)

Consideration of Board decision 165 (XV) relating to least developed, developing island and land-locked developing countries (agenda item 4) (continued)

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PROCEDURAL MATTERS (agenda item 1) (continued):

(a) ADOPTION OF THE AGENDA AND ORGANIZATION OF THE WORK OF THE SESSION (continued) (TD/B/L.96)

1. The PRESIDENT suggested that the Board should establish a President's Contact Group to deal with any unresolved issues which might arise from the consideration of items 3, 5 and 4 either in the Committee of the Whole or in the Working Group. Following UNCTAD practice, the Group might be composed of 19 members, nine from the Group of 77, six from Group B, three from Group D and one from China.

2. It was so decided.

PURSUANT TO CONFERENCE RESOLUTION 94 (IV), REVIEW OF ACTIONS CONCERNING THE INDEBTEDNESS OF DEVELOPING COUNTRIES, IN PARTICULAR, THE DESCRIBING OF FEATURES WHICH COULD PROVIDE GUIDANCE IN OPERATIONS RELATING TO DEBT PROBLEMS (agenda item 2) (continued) (TD/B/695 and Corr.1) (S ONLY), TD/B/695/Add.1 and Corr.1 (S ONLY) and Add.2-5, TD/B/690; TD/B/697, TD/B/697; TD/AC.2/9 and Corr.1 (S ONLY); TD/B/WG.1/30)

CONSIDERATION OF PROPOSALS MADE BY DEVELOPING COUNTRIES AND OF OTHER VIEWS EXPRESSED AT THE FIRST AND SECOND SESSIONS OF THE INTERGOVERNMENTAL GROUP OF EXPERTS ON THE INTERNATIONAL INDEBTEDNESS OF DEVELOPING COUNTRIES AS REFERRED TO IN DOCUMENT TD/B/575 AND TD/B/575 and Add.1-3 (agenda item 5) (continued) (TD/B/690, TD/B/697, TD/B/697; UNCTAD/GA/1030)

CONSIDERATION OF DRAFT RESOLUTION (A) (XVII) RELATING TO DEBT PROBLEMS, DEVELOPING ISLAND AND LAND-LOCKED DEVELOPING COUNTRIES (agenda item 4) (continued) (TD/B/691 and Add.1, TD/B/690, TD/B/697, TD/B/697)

3. Mr. MWAGHOGA (Kenya), speaking as President of the Conference at its fourth session, said that the question of external indebtedness of developing countries had been one of the main issues before the Conference in Nairobi in May 1976. In spite of intense negotiations, a full consensus had not been reached, but the Conference had nevertheless succeeded in adopting resolution 94 (IV), which had established a certain understanding or framework for the treatment of debt problems of developing countries. While the framework was not a fully adequate one and did not answer the needs of the developing countries, the resolution had encouraged useful international discussions at the Conference on International Economic Co-operation (CIEC) and had led to the present meetings of the Board at ministerial level.

4. [illegible] both as President of the Conference and as representative of a developing country, he attached considerable importance to a successful outcome of the present deliberations. He had noticed with growing concern over the last two years how a series of negotiations on ways of improving international economic relations seemed to have petered out. It was sometimes said that there was a lack of political will on one side or the other. That might be so, but it would be unwise to conclude that those failures were not failures for UNCTAD as an institution or for the core issues of development. Not for the International community as a whole which had not so far been able to galvanize itself to the vigorous and urgent economic problem before it in the co-operative effort required for their solution. A successful outcome would, of course, strengthen the institutional effectiveness of UNCTAD as a forum for vital international negotiations. However, what was far more important was that a successful outcome would signal the beginning of a purposive and imaginative movement to demonstrate the collective will of the international community to embrace the universal dimension and start a process leading to the establishment of a global economy that was more just, equitable and viable.

11. She had been particularly struck by the words used by the representative of Zaire, speaking on behalf of the Group of 77, when he had pointed to the role which the developing countries must play in "contributing to the maintenance of aggregate demand which could facilitate stable growth in the world economy, including that of the developed countries."

12. That, it seemed to her, was a common interest and aim upon which all could agree. Indeed, in the present depressed state of the world economy, it would be foolish and absurd if countries failed to recognize their economic interdependence. The countries of the Group of 77 represented more than half of the world's population. An increase in their effective demand was a crucial factor in the revival of the economies of the industrialized countries and the economic recovery of those countries was the key factor in the prospects for economic and social development of the countries of the third world.

13. It was important to understand fully why the debt problems of the developing countries had assumed such prominence in the last few years. In the first place, the great increase in oil prices in 1973 and 1974, while it had affected all, had had a particular impact on many countries with a very high degree of dependence upon imported energy. For many third world countries increased energy prices were an acute strain on their resources. Secondly, the fluctuation in the prices of a number of key commodities had affected all countries in different ways. For industrialized countries such as the United Kingdom, it had added to the problems of controlling inflation; for some developing countries, heavily dependent upon the export of one, two or perhaps three primary products, the sharp price fluctuations had caused very grave problems in development planning and in pursuing policies of investment for economic growth. Thirdly, many developing countries had borrowed on a substantial scale to avoid a sharp adjustment which would have harmed their rate of development.

14. However, the world recession was continuing. Price fluctuations were continuing, the world's economic problems persisted and development plans were threatened for some of the third world countries. One or two faced the prospect of moving not merely into nil growth, but into negative growth. Clearly such a situation concerned all countries, as they recognized their interdependence and the need for effective international co-operation.

15. There were at present persistent financial surpluses in a number of countries, which in some cases had indirectly become major providers of capital to the non-oil-producing developing countries. Those surpluses were matched by counterpart deficits in other countries, both developing and developed; they represented an effort to continue planned growth and development. The consequences would be serious for the world as a whole if all deficit countries simultaneously cut back their growth in an attempt to balance their payments.

16. The main channel for most of the resources represented by the payments surplus of certain countries had been, and continued to be, the commercial banking system. Some of the "surplus" countries had provided flows directly and in generous amounts. Other resources had been made available through the international financial institutions, in particular the International Monetary Fund (IMF) and the World Bank (IBRD). It was of the utmost importance to all countries that those flows should be expanded by the activation, as soon as

possible, of the Witteveen facility and then by an expansion of IBRD's capital to support an increase of lending in real terms sufficient to meet the need. Her Government was ready to play its part in that effort, as it had done in the past. However, it was the banking system which had taken the main strain of coping with the surpluses and its effectiveness must be reinforced to enable it to carry out its task in the future.

17. A way also had to be found of dealing with the problems of those countries whose development was limited by their debt-servicing difficulties. There were two problems to the concept of generalized debt relief. First, it would be likely to create, in the commercial banks, very considerable hesitation about future lending possibilities. Second, the responsibilities of donor Governments could not include that of subsidizing repayment of the debts owed to non-official, non-governmental, private and commercial organizations. On both those counts, therefore, generalized debt relief would raise acute and insoluble difficulties.

18. Her Government believed that it was in the interest of all countries - developed and developing alike - to recognize the importance of strengthening the present arrangements for channelling persistent surpluses to deficit countries, to strengthen them by increasing the resources available to the international financial institutions, and to support arrangements for international action to deal with individual cases of imminent or actual default. It was, in its view, vital to respond quickly and sympathetically to the needs of those who found themselves in serious difficulties for the reasons she had outlined and which all understood. Words were useful, but action was what mattered.

19. Her Government also wished to play its part in laying the foundations of a more systematic approach to the very difficult problems experienced by the poorest countries. It hoped that the proposals put forward by the European Economic Community and the United States of America would lead to a positive outcome of the Board's present deliberations. The second part of those proposals expounded, in a systematic way, the idea of a consortium or consultative group approach to the development problems of the poorest countries. Endorsement of those proposals by the Board would be a real step forward in international understanding and would provide for the countries concerned solid and useful assurances of a sympathetic response to their particular problems.

20. Some individual cases would, of course, require special assistance. However, the Board's objective at present was to see what measure of agreement could be reached on a general and more systematic approach. She hoped that an agreement could be achieved. The documents before the Board indicated that the concern of the Group B countries was real and that a meeting of minds was possible.

21. However, another consideration, defined variously as "retrospective terms harmonization", "retrospective terms adjustment" and "ex post terms correction", had emerged during the Board's present deliberations. For her that was a separate issue from the discussion of the debt problems of [illegible]; however, it was intrinsic to any useful analysis of the development problems of the poorest countries.

It would be essentially an aid policy measure and the issue involved was the consistency or inconsistency of seeking interest on and repayment of past loans made to poorer countries at a time when terms for development assistance had been considerably harder than in recent years. There had been a significant evolution of thinking in that respect, which should be noted.

22. Her own Government's approach was determined by the established principles and practices governing its policies for the transfer of resources through aid. Priority was given to the poorest countries and poorest peoples. For some three years, the United Kingdom's aid to the poorest countries (the least developed and others with a 1976 GNP per capita of up to $220) had been provided entirely on grant terms; 81 per cent of its aid was entirely on grant terms and, overall, its grant element in 1976 had been 97.6 per cent. Thus, the United Kingdom now provided all its development assistance to poorer countries entirely on grant terms. Her Government was sympathetic to the concept of adjusting the terms of outstanding aid loans to some or all of the poorer countries. It was considering the entire question in a positive manner and would be pursuing it as a matter of urgency after the present session of the Board. She was confident that the industrialized countries would continue to examine the problem constructively.

23. She was also sure that it would be possible for the Board to produce a positive and constructive statement in the course of the present meetings and she believed that was the hope and intention of all.

24. Mr. OUTERS (Belgium) said that the north-south dialogue had become one of the major features of international politics and the countries of the world were engaged in the long-term process of organizing interdependence and co-operation among the regions and among the various groupings of countries. The present meetings of the Board - the first to be held at the Ministerial level - were one element in a series of meetings which were tracing the path of international co-operation, their specific purpose being to tackle the problem of the indebtedness of the developing countries and the problems of the least developed countries.

25. As a member of the European Economic Community, Belgium fully supported the Community's position as presented by the representative of Denmark. His delegation therefore endorsed the realistic and constructive approach contained in the joint EEC/United States proposals, which offered a general framework for a case-by-case examination of indebtedness situations. That approach would enable debtor countries both to honour their international commitments and to pursue their development objectives.

26. The proposals aimed to bring out the fact that external debt was not negative per se but could also reflect a country's capacity to attract external financial help in attaining its development objectives. There were also, however, situations, whether transient or structural, in which debt-servicing was a burden that damaged a country's capacity to pursue its development. In those circumstances, it became incumbent upon the creditor countries to adapt the terms of their contributions to the situations of the beneficiary countries. That was particularly true in the case of the least developed countries, to which assistance should be given on very favourable terms.

25. He had found himself in agreement with much of the statement made at the 880th meeting by the spokesman for the Group of 77. Like the Group of 77, his Government recognized that questions of indebtedness should not be looked upon in isolation but rather as forming part of the more general global problem of interdependence in the field of economic policies, balance of payments relations, energy prices and trade policies. Indebtedness could be a symptom of existing imbalances and thus gave rise to further disturbances in international economic relations. Consequently, attention should be focused not only on remedial measures but also on preventive measures such as improved policies for balance-of-payments adjustment, more effective control of inflation and attempts to restrain the escalation of protective measures.

26. In that connexion, he had taken note of the observation by the spokesman for the Group of 77 that developing countries had had to reduce their imports because a disproportionate amount of their external resources were needed to service outstanding official debt. Such import reductions could obviously have grave consequences for the exports of the industrialized countries. Nevertheless, the problem of restructuring the productive capacities of the developed countries should not be under-estimated.

27. With respect to the remedial measures suggested for the Board's consideration, his Government fully endorsed the ECE/United States proposal on textiles which could provide guidance in future debt operations and the idea of *ex post* correction of terms. The proposal offered far more advantages, both qualitative and quantitative, to the developing countries than any of the short-term approaches hitherto discussed.

28. Since, however, those guidelines would take some time to become operational, his Government had made some special efforts to help those developing countries which were in serious economic straits, including both an increased volume of official development assistance on highly concessional terms and specific debt-relief measures. In the preceding three years, it had cancelled debt-service payments on its outstanding official loans in respect of the least developed and most seriously affected countries.

29. Being well aware, however, that larger-scale operations were required in order to produce a substantial impact, his Government had initiated some proposals within OECD and in Group B, including an *ex post* correction of terms on outstanding official loans, in which connexion it had noted with great interest the ideas put forward by the Secretary-General of UNCTAD.

30. Mr. GOKCE (Turkey) said that one of the international community's most pressing concerns had long been the growing welfare gap between the developing and the industrialized countries of the world. The gap could obviously be narrowed if the former countries attained higher rates of economic growth but, to enable them to maintain such rates, they would need increasingly to resort to external borrowing, since it was difficult to convert domestic savings into foreign exchange.

41. Recent world economic events had increased both the need for and the cost of foreign exchange flows to the developing countries and had aggravated the difficulties caused by external indebtedness. Recent estimates of the long-term public debt of the least developed country ranged from $1 billion to $190 billion, and it was clear from the dimensions of the developing countries' external indebtedness had grown to such an extent that debt servicing was making inroads into their import capacities and undermining their ability to reach even minimum development targets.

42. In those circumstances, the external debt situation of the developing countries called for both urgent remedial action and effective solutions and it was therefore highly desirable that positive results should be achieved at the present session of the Trade and Development Board.

43. The most severe problems were being experienced by those countries which had not reached the necessary level of development to carry their accumulated debts. In that connexion, his delegation took the view that the least developed, land-locked and island developing countries should be given generalized, immediate and across-the-board relief by the conversion of their official debts into grants. The same treatment should be extended to other most seriously affected countries or, at the very least, their official debts should be recomputed on IDA terms. The possibilities of provision of official debt relief to the developing countries concerned by developed market-economy countries should also be seriously considered and thoroughly explored. One solution might be a rescheduling facility for converting short-term debt into debt with a more balanced maturity structure. In that connexion, it should be remembered that, in recent years, official resource flows had not only failed to reach the overall international target of .7 per cent of GNP, but had actually declined. An effort should be made to correct that trend.

44. His Government fully shared the view, however, that official debts should be distinguished from commercial debts. It endorsed the proposal that the Secretary-General of UNCTAD should be authorized to convene an intergovernmental group of experts to examine the commercial indebtedness of developing countries and the possibility of establishing financial intermediaries schemes to facilitate the rescheduling and refinancing of their commercial debts.

45. With regard to future debt reorganization, his delegation recognized the need to establish an internationally accepted policy framework to provide a more stable financial relationship between creditor and debtor countries. It therefore favoured the suggestion that the Board should endorse the establishment of guidelines for such a framework and should call for an intergovernmental group of experts to work out the details.

46. While it recognized that there was no panacea for the debt problem and that many efforts would have to be combined, his delegation urged the Board to endeavour to achieve some tangible results at its present session.

47. Mr. STOLTENBERG (Norway) said that the statements made at the present session appeared to indicate that the time was ripe for reaching agreement in a number of areas, some of which had been suggested by the spokesman for the Group of 77 and by the Secretary-General of UNCTAD. It had been clearly recognized in all the statements that the heavy debt-service commitments of many developing countries were adversely affecting their economic performance. That was particularly true of the poorer developing countries, for which indebtedness constituted a serious obstacle to development. However, there now seemed to be a political will among the developed countries to take action to improve the situation and among the developing countries to accept compromise solutions.

48. There appeared to be a wide measure of agreement on two questions: the need for common features in guidance for individual countries facing debt-servicing difficulties and the need for immediate relief measures in favour of the poorer countries in order to ensure their continued development. With regard to the first question, debtor and creditor countries alike had an obligation to safeguard their own legitimate interests. During the Conference on International Economic Co-operation (CIEC) constructive proposals had been submitted by both the developing and the developed countries. In his opinion, those proposals, together with the document on the subject submitted by the Secretary-General of UNCTAD, should be given further consideration with a view to establishing common norms. As suggested by the Secretary-General, a working group might be set up for that purpose and instructed to report on the results of its work at the fifth session of the Conference. For that purpose, however, the Board must reach agreement at the present session on principles and objectives which might form part of the mandate of such a group.

49. With regard to immediate relief measures for the poorer countries, there was a growing awareness that those countries were facing a difficult development situation which made even low levels of indebtedness burdensome. A large number of donor countries were now prepared to take special efforts to support and strengthen the development of the poorer countries. However, a number of creditor countries had set out foreign-policy considerations and internal procedures which had to be taken into account. Consequently, flexibility must be exercised with regard to the form of support given and the group of countries which might benefit from such support. Due account must also be taken of the particular development needs of recipient countries.

50. All the forms of support suggested at the present session would have the effect of strengthening the economic performance of the recipient countries. The most obvious form would be direct cancellation of ODA debts, a step which had already been taken by several donor countries and which, for the reasons he had mentioned, might present difficulties for other countries. The Swedish delegation had suggested that donor countries might accept "equivalent measures", such as increased transfer of resources in the form of grants or on highly concessional terms. An alternative suggestion was the so-called "retroactive terms correction", in other words, correction of the terms of loans or credits extended in the past in order to improve the concessionality of the aid. Each creditor country should decide individually which form its support should take and which countries should be the beneficiaries.

55. At the same time, his Government viewed with deep concern a growing trend towards international protectionism, which created more difficulties than it solved. It destroyed the proven system of the freest possible exchange of goods within the international community and was fraught with long-term dangers and disadvantages.

56. To commodity-exporting developing countries the stability of export earnings was of great importance. In his view, stabilizing such earnings was a suitable remedy since it could be fitted into the overall framework of a world economy based on the greatest possible degree of freedom and could be tailored to a country's individual needs. In exploring ways and means of stabilizing export earnings, priority should be given to the least developed countries. In that connexion, his Government would keep its promise to participate to the best of its ability in adequate international commodity agreements and in the establishment of a common fund.

57. Interdependence was a keyword in discussion of the debt problem. All countries were linked in many different ways and directions, and no country or group of countries should seek to divest itself of its share of common responsibility. Interdependence applied to the debt problem in the same way as it applied to trade in commodities and manufactures, the opening of markets, access to raw materials, energy and private investments.

58. Unquestionably, the development prospects of many developing countries had been seriously affected by the increases in the prices of oil. It was therefore incumbent on the oil-exporting countries to extend special assistance to the most seriously affected countries. His Government was strengthened in the conviction that more help should be given to the poorest countries by the fact that people in the country were making increasing personal contributions to the fight against hunger and poverty in the world through the Bread for the Poor and the Freedom from Hunger Campaign.

59. The economic progress of the Netherlands was, of course, largely dependent on economic developments in the industrial countries. In addressing to its own economic problems, his Government was not only guided by a sense of obligation to contribute towards an appropriate solution of the debt problem and other economic problems. On the contrary, through its foreign trade and payments policy and its general economic policy, which was aimed at stability and growth, his Government was fulfilling, and would continue to fulfil, its responsibility in relation to the world economy. The developing countries had been among the beneficiaries of that policy.

60. In 1975 his country's GNP per capita had increased by more than 50 per cent in real terms. His Government would continue its efforts to promote the development of the third world, and in particular that of the poorest developing countries. In that connexion, however, his Government expected solidarity from the recipients of its assistance. In other words, it should have certain guarantees as to raw materials in order that its own material and, above all, energy supplies might be ensured. Private investments could also play a useful

76. The socialist countries always took account of the special situation of the least developed countries and provided them with credits on reasonable terms, as well as outright grants.

77. Their credit relations with the developing countries were always regulated by means of intergovernmental agreements which could be used effectively by the parties as a reliable basis for negotiations on all questions relating to the use and repayment of credits.

78. The socialist countries would continue to co-operate actively in the restructuring of international economic relations on an equitable and democratic basis, taking due account of the special situation of the developing countries in the world economy and of their special needs and problems.

The meeting rose at 1.25 p.m.